

LØVENS KEMISKE FABRIKS HANDELSAKTIESELSKAB

Industriparken 55
2750 Ballerup

Annual report
1 January 2019 - 31 December 2019

**The annual report has been presented and
approved on the company's general meeting the**

07/05/2020

Mikkel Svoldgaard Gadsbøll
Chairman of general meeting

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Company information

Reporting company LØVENS KEMISKE FABRIKS HANDELSAKTIESELSKAB
Industriparken 55
2750 Ballerup

Phone number: 44945888

CVR-nr: 24238113

Reporting period: 01/01/2019 - 31/12/2019

Auditor Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
DK Denmark
CVR-nr: 33963556
P-number: 1017192430

Statement by Management

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Løvens Kemiske Fabriks Handelsaktieselskab for the financial year January 1 – December 31, 2019.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, Financial Statements give a true and fair view of the Company's assets, liabilities and financial position as of December 31, 2019, and of the results of the Company's operations January 1 – December 31, 2019.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, the 07/05/2020

Management

Mikkel Svoldgaard Gadsbøll

Board of directors

Anders Kronborg

Mikkel Svoldgaard Gadsbøll

Catherine Thérèse Jeanne Mazzacco

The independent auditor's report on financial statements

To the shareholders of Løvens Kemiske Fabriks Handelsaktieselskab

Opinion

We have audited the financial statements of Løvens Kemiske Fabriks Handelsaktieselskab for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 07/05/2020

Lars Andersen , mne27762
State-Authorised Public Accountant
Deloitte Statsautoriseret
Revisionspartnerselskab
CVR: 33963556

Martin Pieper , mne44063
State-Authorised Public Accountant
Deloitte Statsautoriseret
Revisionspartnerselskab
CVR: 33963556

Management's Review

Key activities

The company's activities consist of property rental and owning shares in affiliated companies within LEO Pharma Group. The company's income consist of rental income and profit/loss in shares in affiliated companies.

Developments in activities and financial affairs

The income statement for the period 1. January - 31. December 2019 shows a profit of DKK 14,715k against DKK 13,837k for the period 1. January - 31. December 2018.

Management considers the net result for the year to be satisfactory.

Management expects a net result i 2020 at the same level as 2019.

Sucsequent events

No significant events have occured after the balance sheet date.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. There have been options of certain rules in reporting class C.

The accounting policies are unchanged compared to last year.

General

Recognition and measurement

Revenues are recognised in the income statement as earned.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and impairment losses

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account foreseeable losses and risks that occur before the annual report is presented and which confirm or invalidate conditions that existed at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Rental income includes the net rent charged for lease of company's properties.

Other external expenses

Other external expenses comprise administrative expenses, taxes and fees regarding real estate.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Profit/loss from investment in associates

In the income statement, the proportionate share of the profit/loss for the year is recognised under the item "Income from investments in associates".

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Cost includes the cost of materials, subcontractors for own manufactured fixed assets. Interest on loans arranged to finance production is not included in the cost. The cost of a total asset is divided into separate components that are depreciated separately if the expected useful life of the individual components differs.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values:

	Useful lives	Residual value
Buildings	20 – 40 years	0

Land is not amortized.

In the event of changes in depreciation periods or residual values, the effect on future depreciation is recognised as a change in accounting estimates.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets. The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount

Equity investments in associates

Investments in associates are recognised and measured according to the equity method, which means that the equity investments are measured at the proportionate ownership share of the companies' carrying amount.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Equity

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting (the date of declaration). Proposed dividend for the year is recognised as a special item under equity.

Net revaluation of investments in associates is recognised in the parent company's financial statements under equity in reserve for net revaluation according to the equity method to the extent that the carrying amount exceeds cost.

Current and deferred tax

The tax recognised in the income statement for the year's profit is calculated on the basis of the year's financial result adjusted for non-taxable income and expenses. The tax is calculated at 22%.

The provision for deferred tax is calculated at 22% of the difference between the accounting and tax values.

The company is jointly taxed with its parent company and other Danish group companies. The tax recognised in the income statement is settled with the parent company of the joint taxation.

Payables

Debts are measured at amortised cost, substantially corresponding to nominal value.

Income statement 1 Jan 2019 - 31 Dec 2019

	Disclosure	2019	2018
		kr.	kr.
Revenue		22,056,972	21,691,792
External expenses		-1,811,601	-1,802,173
Gross Result		20,245,371	19,888,619
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets		-3,042,599	-3,089,312
Profit (loss) from ordinary operating activities		17,202,772	-16,799,307
Income from investments in associates		1,297,768	733,738
Profit (loss) from ordinary activities before tax		18,500,540	17,533,045
Tax expense	1	-3,784,610	-3,695,848
Profit (loss)		14,715,930	13,837,198
Proposed distribution of results			
Proposed dividend recognised in equity		15,869,874	223,728,541
Reserve for net revaluation according to equity method		1,297,768	735,738
Retained earnings		-2,451,712	-210,625,081
Proposed distribution of profit (loss)		14,715,930	13,837,198

Balance sheet 31 December 2019

Assets

	Disclosure	2019 kr.	2018 kr.
Land and buildings		61,916,437	64,959,036
Property, plant and equipment	2	61,916,437	64,959,036
Investments in associates		20,709,514	19,391,735
Current deferred tax assets		5,174,921	5,902,876
Investments	3	25,884,435	25,294,611
Total non-current assets		87,800,872	90,253,647
Receivables from group enterprises		15,869,874	223,728,541
Receivables		15,869,874	223,728,541
Current assets		15,869,874	223,728,541
Total assets		103,670,746	313,982,188

Balance sheet 31 December 2019

Liabilities and equity

	Disclosure	2019	2018
		kr.	kr.
Contributed capital		30,000,000	30,000,000
Reserve for net revaluation according to equity method		18,667,086	17,349,313
Retained earnings		36,070,299	38,521,530
Proposed dividend		15,869,874	223,728,541
Total equity		100,607,259	309,599,384
Tax payables		3,056,655	4,375,497
Other payables, including tax payables, liabilities other than provisions		6,832	8,307
Short-term liabilities other than provisions, gross		3,063,487	4,382,804
Liabilities other than provisions, gross		3,063,487	4,382,804
Liabilities and equity, gross		103,670,746	313,982,188

Statement of changes in equity 1 Jan 2019 - 31 Dec 2019

	Contributed capital	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend recognised in equity	Total
	kr.	kr.	kr.	kr.	kr.
Equity, beginning balance	30,000,000	17,349,313	38,521,530	223,728,541	309,599,384
Dividend paid				-223,728,541	-223,728,541
Increase (decrease) of investments through net exchange differences [Equity]		20,503			20,503
Other adjustments of equity		-17			-17
Profit (Loss)		1,297,768	-2,451,712	15,869,874	14,715,930
Distributed dividends from associates		-481	481		0
Equity, ending balance	30,000,000	18,667,086	36,070,299	15,869,874	100,607,259

Disclosures

1. Tax expense

	2019	2018
	kr.	kr.
Current tax	3,056,655	4,375,496
Changes in deferred tax	727,955	-679,649
	3,784,610	3,695,847

2. Property, plant and equipment

	Land and buildings
	kr.
Cost, beginning of year	153,039,541
Cost, end of year	153,039,541
Impairment losses and amortisation, beginning of year	-88,080,505
Impairment losses and amortisation, this year	-3,042,599
Impairment losses and amortisation, end of year	-91,123,104
Carrying value, end of year	61,916,437

See note 7 for information on collaterals and assets pledge as security.

3. Investments

	Investments in associates kr.
Cost, beginning of year	2,042,422
Increase	6
Cost, end of year	2,042,428
Net revaluations, beginning of year	17,349,313
Currency exchange adjustment	20,503
Share of profit (loss)	1,297,768
Dividends	-481
Other adjustment	-17
Net revaluations, end of year	18,667,086
Carrying value, end of year	20,709,514

Investments in associates include:

Name, legal form and homeplace	Ownership
LEO Farmacêuticos Lda., Portugal	40%
LEO Laboraties Ltd., Ireland	Below 1%
LEO Laboraties Ltd., UK	Below 1%
LEO Pharma N.V., Belgium	Below 1%
LEO Pharmaceuticals, S. de R.L. de C.V. , Mexico	Below 1%
LEO Pharma LTDA, Brazil	Below 1%
LEO Pharmaceutical Products LLC, Russia	Below 1%

4. Disclosure of contingent liabilities

Recourse guarantee commitments:

The company has provided a guarantee jointly with parent company for group companies debt to credit institutions which amounts to 1,200,000 tDKK.

Other contingent liabilities:

The company is taxes jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly income etc.

5. Disclosure of collaterals and assets pledges as security

Land and buildings with a book value of 61,916 tDKK at 31 December 2019 is pledged as security for parent company's debt to credit institutions of nominal value 1,200,000 tDKK, and outstanding debt of 1,200,000 tDKK at 31 December 2019.

6. Disclosure of ownership

Ownership

The company has registered the following shareholders holding more than 5% of the voting rights or nominal value:

LEO Pharma A/S
 Industriparken 55
 2750 Ballerup

Related parties

Controlling influence:

LEO Pharma A/S and its Board of Directors
 LEO Pharma A/S with head office in Ballerup owns 100% of the shares in
 Løvens Kemiske Fabriks Handelsaktieselskab.
 LEO Holding A/S
 LEO Foundation as the ultimate parent of the Group.

Group relations

Included in the consolidated financial statements of:
 LEO Pharma A/S, Industriparken 55, 2750 Ballerup

7. Information on average number of employees

	2019
Average number of employees	0