



## LEO Holding A/S

Lautrupsgade 7, 5.  
2100 Copenhagen Ø  
CVR No. 39122251

## Annual report 2021

The Annual General Meeting adopted the  
annual report on 25.03.2022

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**Peter Kjeldsen Hansen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	5
Management commentary	8
Income statement for 2021	12
Balance sheet at 31.12.2021	13
Statement of changes in equity for 2021	15
Notes	16
Accounting policies	19

# Entity details

## Entity

LEO Holding A/S

Lautrupsgade 7, 5.

2100 Copenhagen Ø

Business Registration No.: 39122251

Date of foundation: 29.11.2017

Registered office: Copenhagen

Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Lars Olsen, Chairman

Eivind Drachmann Kolding, Vice chairman

Peter Schwarz

Anja Boisen

Karin Jexner Hamberg

Cristina Patricia Lage

Lars Green

Jannie Kogsbøll

Lotte Hjortshøj

Allan Carsten Dahl

Franck Maréno

## Executive Board

Peter Helt Jacobsen Haahr, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of LEO Holding A/S for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 25.03.2022

## Executive Board

**Peter Helt Jacobsen Haahr**  
CEO

## Board of Directors

**Lars Olsen**  
Chairman

**Eivind Drachmann Kolding**  
Vice chairman

**Peter Schwarz**

**Anja Boisen**

**Karin Jexner Hamberg**

**Cristina Patricia Lage**

**Lars Green**

**Jannie Kogsbøll**

**Lotte Hjortshøj**

**Allan Carsten Dahl**

**Franck Maréno**

# Independent auditor's report

## To the shareholder of LEO Holding A/S

### Opinion

We have audited the financial statements of LEO Holding A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities 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 responsibilities for the audit of the financial statements

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 commentary**

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, 25.03.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Kirsten Aaskov Mikkelsen**

State Authorised Public Accountant  
Identification No (MNE) mne21358

**Sumit Sudan**

State Authorised Public Accountant  
Identification No (MNE) mne33716



# Management commentary

## Financial highlights

	2021	2020	2019	2018
	DKK'm	DKK'm	DKK'm	DKK'm
<b>Key figures</b>				
Gross profit/loss	(4)	(4)	(4)	(3)
Operating profit/loss	(17)	(13)	(15)	(12)
Net financials	2,262	1,120	2,392	(520)
Profit/loss for the year	(2,250)	(398)	348	667
Total assets	25,452	26,058	26,682	26,297
Equity	24,694	25,305	26,355	26,163
<b>Ratios</b>				
Return on equity (%)	(8.99)	(1.53)	1.34	2.58
Equity ratio (%)	97.00	97.11	98.77	99.49

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets

### Primary activities

LEO Holding A/S is the major shareholder and engaged owner of LEO Pharma A/S. Further, LEO Holding manages the investment activities of the LEO Foundation, partly through the ownership of LH Capital A/S. The main objectives of the investment activities are to ensure the continued financial capability to support LEO Pharma's long-term strategic development as well as provide funds for the LEO Foundation's philanthropic activities. In line with these objectives, LEO Holding strive to generate the best possible returns while retaining a sensible, well-balanced risk profile.

In July 2021 the shareholder base of LEO Pharma was expanded by a transaction where Nordic Capital invested EUR 450 million equivalent to DKK 3,347 million for a minority stake in LEO Pharma. The expansion of the shareholder base was initiated to support the long-term objectives and ambitious growth strategy of LEO Pharma.

The transaction was conducted as a capital increase in LEO Pharma, where new B-shares were issued and subscribed for by Nordic Capital, and thereby LEO Holdings's ownership of LEO Pharma was reduced to 78,09%.

The transaction resulted in a dilution gain of DKK 1,487 million, which has been recognized directly into equity.

### Development in activities and finances

In 2021 focus was – as in previous years – the steady build-up of a diversified portfolio of illiquid alternatives. This meant new commitments – totaling almost DKK 1 billion – to a real estate fund, a direct lending fund and two private equity funds. During 2021, return and capital calls meant that the allocation to illiquid alternatives increased by more than DKK 1.1 billion, which is equivalent to an increase of 5.5% of the financial portfolio. On the listed side, two index mandates were terminated – low-volatility equities and emerging markets debt local currency – while a new mandate on ESG-screened emerging markets debt hard currency was introduced.

Major transactions on existing mandates in 2021 included an increased allocation to fixed income hedge funds, adjustments to the equity weight using equity index futures and ETFs as well as a reduction in fixed income exposure to cover investments in alternatives plus the Foundation's grants and costs.

LEO Holding's financial portfolio generated a return of DKK 2,131 million, or 13.6%, with equities, alternatives, credit and overlay strategies contributing positively, and government and mortgage bonds being the only detractor.

At the end of 2021, LEO Holding's financial portfolio consisted of equities 47% (2020: 55%), government and mortgage bonds 15% (2020: 10%), credit bonds 18% (2020: 20%) and alternatives 20% (2020: 15%).

As of 1 January 2021, the LEO Foundation is a signatory to the Tax Code of Conduct established by four major pension funds, and now adopted by 12 pension funds and six major foundations in Denmark. The Tax Code of Conduct outlines principles and recommendations promoting responsible tax behavior regarding unlisted investments.

Income from investments in affiliates after tax was a loss of DKK 4,131 million (2020: loss of DKK 1,258 million). For more information on LEO Pharma Group, please refer to LEO Pharma A/S' Annual Report.

### Profit/loss for the year in relation to expected developments

The loss for the year in LEO Pharma A/S was below expectations, driven by a combination of impairment of development projects and software in progress, as well as production facilities related to the divested portfolio

and costs concerning the introduction of a new operating model and change program.

### **Outlook**

In 2022, further additions of alternative components are expected in order to enhance return and portfolio diversification. The level of risk in the portfolio is expected to be kept at the same level as in 2021, and the risk and liquidity of the financial portfolio will continue to ensure that the LEO Foundation is able to support LEO Pharma.

The 2022 outlook for LEO Pharma is an expected operating loss (EBIT) of DKK 3.1-3.3 billion. Further divestments or write-downs of intellectual property rights can change the outlook.

### **Particular risk**

The financial portfolio is managed according to the investment policy, which is reviewed and approved annually by the Board. The investment policy sets out the strategic asset allocation and the boundaries for each asset class within which tactical asset allocation positions can be taken. Furthermore, the investment policy sets limits on counterparty risk, overall interest rate risk and the liquidity of the financial portfolio. Currency risk is hedged for all fixed-income exposure, while equity investments have full currency exposure but with the option of hedging.

All asset classes, external managers and external investment funds are approved by the Board's Investment Committee prior to any investments. Compliance with the investment policy is verified by the finance department, and investment results are documented in reports to the Investment Committee and the CEO. Each week, a portfolio performance report is prepared by the Chief Investment Officer and distributed to the CEO and the Chairman of the LEO Holding Investment Committee, followed by a meeting between the CEO and the investment team. A monthly report is issued to the Investment Committee. An investment update is presented to the full Board by the Chief Investment Officer at all regular Board meetings.

The Investment Committee advises the Board on matters relating to investments and asset management. It prepares and recommends investment strategies and policies to the Board and ensures their implementation in cooperation with the Executive Management. The Committee also monitors and reviews relevant internal controls, risk management and governance models.

The members of the Board of Trustees of the LEO Foundation also make up the Board of Directors of LEO Holding A/S. Both Boards meet at least four times a year and, in addition, hold an annual seminar to discuss and review strategies. The Board of Directors consist of 11 members, of which four are representatives elected by LEO Pharma A/S employees.

Business and financial risks associated with operations are managed by LEO Pharma, which has defined risk management policies and procedures. LEO Pharma works continuously to ensure a reasonable balance between risk exposure and value creation. LEO Holding is kept updated about relevant risks through regular reporting. For more information about risk management in LEO Pharma Group, please refer to LEO Pharma A/S' Annual Report.

### **Statutory report on corporate social responsibility**

LEO Holding has adopted an environmental, social and governance (ESG) policy for our investment activities. This policy is based on adherence to the Ten Principles of the UN Global Compact, which form the basis for ethical human and corporate behavior. By basing our policy on these principles, we aim to address the CSR risks we face as a large financial investor.

As our investments are managed through external investment managers, we work closely with these managers to ensure compliance with the ESG policy. Our investment team reviews the investment managers as an integrated part of the investment process, and managers are required to report annually on ESG factors and relevant matters, such as exited investments, engagement with companies and corrective actions they have carried out.

In the yearly reporting from external managers, no breaches of the ESG policy were reported in 2021. During the year, we continued to integrate ESG factors into our investment approach by adding an ESG-screened mandate – with a particular focus on human rights – on Emerging Markets Debt. In the coming year, one priority is to ensure that the last outstanding credit index mandate will be replaced by a mandate with ESG screening. For further information about CSR in the LEO Group, please refer to LEO Foundation's Annual Report.

# Income statement for 2021

	Notes	2021 DKK'm	2020 DKK 'm
Other external expenses		(4)	(4)
<b>Gross profit/loss</b>		<b>(4)</b>	<b>(4)</b>
Staff costs	2	(13)	(9)
<b>Operating profit/loss</b>		<b>(17)</b>	<b>(13)</b>
Income from investments in group enterprises		(4,131)	(1,258)
Other financial income		2,364	1,175
Other financial expenses		(102)	(55)
<b>Profit/loss before tax</b>		<b>(1,886)</b>	<b>(151)</b>
Tax on profit/loss for the year	3	(364)	(247)
<b>Profit/loss for the year</b>	4	<b>(2,250)</b>	<b>(398)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK'm	2020 DKK'm
Investments in group enterprises		4,669	7,161
Receivables from group enterprises		4,161	3,965
Other investments		2,830	2,163
<b>Financial assets</b>	5	<b>11,660</b>	<b>13,289</b>
<b>Fixed assets</b>		<b>11,660</b>	<b>13,289</b>
Other investments	6	13,781	12,768
<b>Other investments</b>		<b>13,781</b>	<b>12,768</b>
<b>Cash</b>		<b>11</b>	<b>1</b>
<b>Current assets</b>		<b>13,792</b>	<b>12,769</b>
<b>Assets</b>		<b>25,452</b>	<b>26,058</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK'm</b>	<b>2020 DKK'm</b>
Contributed capital		100	100
Retained earnings		23,894	25,205
Proposed dividend		700	0
<b>Equity</b>		<b>24,694</b>	<b>25,305</b>
Payables to group enterprises		383	502
<b>Non-current liabilities other than provisions</b>	<b>7</b>	<b>383</b>	<b>502</b>
Tax payable		369	247
Other payables		6	4
<b>Current liabilities other than provisions</b>		<b>375</b>	<b>251</b>
<b>Liabilities other than provisions</b>		<b>758</b>	<b>753</b>
<b>Equity and liabilities</b>		<b>25,452</b>	<b>26,058</b>
Events after the balance sheet date	1		
Contingent liabilities	8		
Related parties with controlling interest	9		
Group relations	10		

# Statement of changes in equity for 2021

	Contributed capital DKK'm	Retained earnings DKK'm	Proposed dividend DKK'm	Total DKK'm
Equity beginning of year	100	25,205	0	25,305
Other entries on equity	0	1,639	0	1,639
Profit/loss for the year	0	(2,950)	700	(2,250)
<b>Equity end of year</b>	<b>100</b>	<b>23,894</b>	<b>700</b>	<b>24,694</b>

For elaborated description on other entries on equity see Note 5



# Notes

## 1 Events after the balance sheet date

No events with significant impact on the financial statements have occurred subsequent to 31 December 2021

## 2 Staff costs

	2021 DKK'm	2020 DKK'm
Wages and salaries	13	9
	<b>13</b>	<b>9</b>
Number of employees at balance sheet date	<b>4</b>	<b>4</b>
Average number of full-time employees	<b>4</b>	<b>4</b>

## 3 Tax on profit/loss for the year

	2021 DKK'm	2020 DKK'm
Current tax	364	247
	<b>364</b>	<b>247</b>

## 4 Proposed distribution of profit and loss

	2021 DKK'm	2020 DKK'm
Ordinary dividend for the financial year	700	0
Retained earnings	(2,950)	(398)
	<b>(2,250)</b>	<b>(398)</b>

## 5 Financial assets

	Investments in group enterprises DKK'm	Receivables from group enterprises DKK'm	Other investments DKK'm
Cost beginning of year	26,591	3,810	1,945
Additions	0	0	449
<b>Cost end of year</b>	<b>26,591</b>	<b>3,810</b>	<b>2,394</b>
Revaluations beginning of year	(19,430)	155	218
Disposals on divestments etc	1,487	0	0
Share of profit/loss for the year	(4,130)	0	0
Fair value adjustments	0	0	218
Other adjustments	151	196	0
<b>Revaluations end of year</b>	<b>(21,922)</b>	<b>351</b>	<b>436</b>
<b>Carrying amount end of year</b>	<b>4,669</b>	<b>4,161</b>	<b>2,830</b>

During the fiscal year, a change in ownership took place as a result of a unilateral capital increase on 21.07.2021. Dilution gain DKK'm 1,487 from change in ownership of investments in subsidiaries are recognised directly in equity.

## 6 Other investments

### Fair value hierarchy at 31 December 2021

(DKK millions)	Level 1	Level 2	Level 3	Total
Measured at fair value				
Investment cash	687	-	-	687
Government and mortgage bonds	1,928	-	-	1,928
Equities	8,678	-	-	8,678
Credit	2,488	-	-	2,488
Alternatives	531	970	1,329	2,830
<b>Other investments</b>	<b>14,313</b>	<b>970</b>	<b>1,329</b>	<b>16,611</b>

The fair value is measured based on quoted market prices (Level 1). Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2). If an active market does not exist, the fair value is measured according to generally accepted valuation techniques (Level 3). If a fair value cannot be determined with sufficient reliability the investments are measured at costs less any impairment.

## 7 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'm
Payables to group enterprises	383
	<b>383</b>

## **8 Contingent liabilities**

There are investment commitments for a total of 1,939 mDKK as of December 31, 2021

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

## **9 Related parties with controlling interest**

LEO FONDET, Lautrupsgade 7, 2100 Copenhagen, Denmark owns all shares in the Entity, thus exercising control.

## **10 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
LEO FONDET, Lautrupsgade 7, 2100 Copenhagen

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Consolidated financial statements

Referring to 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Income statement

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies.

### Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

### Income from investments in group enterprises

Income from investments in group enterprises comprises dividends, realised and unrealised value adjustments of the individual group enterprises in the financial year

### Other financial income

Other financial income comprises including interest income on receivables from group enterprises, exchange gains on securities and gain on other securities.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Dansih Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement, by the portion attributable to profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value. Dilution gain or loss recognised from change in ownership of investments in subsidiaries are recognised directly in equity.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

**Other investments**

Other financial assets investments comprise unlisted investments measured at fair value based on reported fair values.

**Other investments**

Other current asset investments comprise investment cash, bonds, equities and credits measured at fair value.

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's

taxable income, adjusted for prepaid tax.

**Cash flow statement**

The Cash flow statement is presented in the consolidated financial statement for LEO FONDET.