



## LEO Holding A/S

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

## Annual report 2020

The Annual General Meeting adopted the  
annual report on 24.03.2021

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**Peter Kjeldsen Hansen**  
Chairman of the General Meeting

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# Entity details

## Entity

LEO Holding A/S

Lautrupsgade 7, 5.

2100 Copenhagen Ø

CVR No.: 39122251

Date of foundation: 29.11.2017

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Lars Olsen, Chairman

Eivind Drachmann Kolding, Vice chairman

Allan Carsten Dahl

Anja Boisen

Cristina Patricia Lage

Jannie Kogsbøll

Karin Jexner Hamberg

Lars Green

Lars Kjøller

Lotte Hjortshøj Larsen

Peter Schwarz

## Executive Board

Jesper Mailind, CEO

Mette Poulsen, Finance Manager

## 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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 24.03.2021

## Executive Board

**Jesper Mailind**  
CEO

**Mette Poulsen**  
Finance Manager

## Board of Directors

**Lars Olsen**  
Chairman

**Eivind Drachmann Kolding**  
Vice chairman

**Allan Carsten Dahl**

**Anja Boisen**

**Cristina Patricia Lage**

**Jannie Kogsbøll**

**Karin Jexner Hamberg**

**Lars Green**

**Lars Kjøller**

**Lotte Hjortshøj Larsen**

**Peter Schwarz**

# 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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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.

### 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, 24.03.2021

**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

	2020 DKK'm	2019 DKK'm	2018 DKK'm
<b>Key figures</b>			
Gross profit/loss	(4)	(4)	(3)
Operating profit/loss	(13)	(15)	(12)
Net financials	1,120	2,392	(519)
Profit/loss for the year	(398)	348	667
Total assets	26,058	26,682	26,297
Equity	25,305	26,355	26,163
<b>Ratios</b>			
Return on equity (%)	(1.53)	1.34	2.58
Equity ratio (%)	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 (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

### Primary activities

LEO Holding A/S is the sole 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 2020, LEO Holding continued to execute its long-term strategy of increased allocation to illiquid alternatives. This included commitments to – and investments in – distressed credit, private equity, and real assets. The exposure to real assets increased by almost DKK 600 million, split between real estate and infrastructure. In addition, one investment-grade mandate was terminated and replaced by a mandate on emerging markets debt corporate bonds.

The portfolio continues to comprise both actively managed investments and passive index exposure, with a slight increase in passive exposure due to significant gains on equities in 2020. Major transactions on existing mandates in 2020 included a temporary increase in emerging markets debt hard currency, an increase in allocation to fixed-income hedge funds, adjustments of the equity weighting using equity index futures, and reductions in fixed-income exposure to cover grants and costs of a total of DKK 358 million.

At the end of 2020, LEO Holding's financial portfolio consisted of equities 55% (2019: 49%), government and mortgage bonds 10% (2019: 17%), credit bonds 20% (2019: 26%) and alternatives 15% (2019: 8%).

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 1,259 million (2019: loss of DKK 1,625 million). For more information on LEO Pharma Group, please refer to LEO Pharma A/S' Annual Report.

### Outlook

2021 will see a continuation of the development from prior years, with further refinements being made to the portfolio by selectively adding more alternative components to enhance returns and portfolio diversification. The level of risk in the portfolio is expected to be kept at the same level as in 2020. The financial portfolio's risk and liquidity will continue to ensure that the LEO Foundation is able to support LEO Pharma.

The outlook for 2021 for LEO Pharma is an operating loss in the range of DKK 2.7-2.9 billion, which is mainly driven by substantial investments in R&D. Further divestments can change the outlook.

### Particular risks

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 behaviour that supports long-term sustainability and success. 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 actively with these managers to ensure compliance with the policy. Investment managers report yearly on ESG factors and matters, including, where relevant, exited investments, engagement with companies and corrective actions carried out by the managers. In 2020, we continued to integrate ESG factors into our investment approach. We have received yearly reports from investment managers to make sure investments comply with the ESG policy. No issues related to environmental, social or governance was reported, and it has not given rise to any changes in relation to the Foundation's investment portfolio.

For further information about CSR in the LEO Group, please refer to LEO Foundation's Annual Report ([leo-foundation.org/en/news/publications/#annual-reports](https://leo-foundation.org/en/news/publications/#annual-reports)).

### **Events after the balance sheet date**

On 16 March, 2021, an agreement was signed with Nordic Capital, who upon closing will acquire a minority shareholding in LEO Pharma A/S for an investment of EUR 450 million by issuance of new B-shares in the company. The transaction is expected to close mid-2021, subject to customary regulatory approvals.

# Income statement for 2020

	Notes	2020 DKK'm	2019 DKK 'm
Other external expenses		(4)	(4)
<b>Gross profit/loss</b>		<b>(4)</b>	<b>(4)</b>
Staff costs	2	(9)	(11)
<b>Operating profit/loss</b>		<b>(13)</b>	<b>(15)</b>
Income from investments in group enterprises		(1,258)	(1,625)
Other financial income		1,175	2,397
Other financial expenses		(55)	(5)
<b>Profit/loss before tax</b>		<b>(151)</b>	<b>752</b>
Tax on profit/loss for the year	3	(247)	(404)
<b>Profit/loss for the year</b>	4	<b>(398)</b>	<b>348</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK'm	2019 DKK'm
Investments in group enterprises		7,161	8,550
Receivables from group enterprises		3,965	3,810
Other investments		2,163	0
<b>Financial assets</b>	5	<b>13,289</b>	<b>12,360</b>
<b>Fixed assets</b>		<b>13,289</b>	<b>12,360</b>
Other investments	6	12,768	14,321
<b>Other investments</b>		<b>12,768</b>	<b>14,321</b>
<b>Cash</b>		<b>1</b>	<b>1</b>
<b>Current assets</b>		<b>12,769</b>	<b>14,322</b>
<b>Assets</b>		<b>26,058</b>	<b>26,682</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2020</b> <b>DKK'm</b>	<b>2019</b> <b>DKK'm</b>
Contributed capital		100	100
Retained earnings		25,205	25,735
Proposed dividend		0	520
<b>Equity</b>		<b>25,305</b>	<b>26,355</b>
Payables to group enterprises		502	325
<b>Non-current liabilities other than provisions</b>		<b>502</b>	<b>325</b>
Tax payable		247	0
Other payables		4	2
<b>Current liabilities other than provisions</b>		<b>251</b>	<b>2</b>
<b>Liabilities other than provisions</b>		<b>753</b>	<b>327</b>
<b>Equity and liabilities</b>		<b>26,058</b>	<b>26,682</b>
Events after the balance sheet date	1		
Contingent liabilities	7		

# Statement of changes in equity for 2020

	Contributed capital DKK'm	Retained earnings DKK'm	Proposed dividend DKK'm	Total DKK'm
Equity beginning of year	100	25,735	520	26,355
Ordinary dividend paid	0	0	(520)	(520)
Other entries on equity	0	(132)	0	(132)
Profit/loss for the year	0	(398)	0	(398)
<b>Equity end of year</b>	<b>100</b>	<b>25,205</b>	<b>0</b>	<b>25,305</b>

# Notes

## 1 Events after the balance sheet date

No events with significant impact on the financial statements have occurred subsequent to 31 December 2020

## 2 Staff costs

	2020 DKK'm	2019 DKK'm
Wages and salaries	9	11
	<b>9</b>	<b>11</b>
Number of employees at balance sheet date	4	4
Average number of full-time employees	4	4

## 3 Tax on profit/loss for the year

	2020 DKK'm	2019 DKK'm
Current tax	247	404
	<b>247</b>	<b>404</b>

## 4 Proposed distribution of profit and loss

	2020 DKK'm	2019 DKK'm
Retained earnings	(398)	348
	<b>(398)</b>	<b>348</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	1,234
Additions	0	0	711
<b>Cost end of year</b>	<b>26,591</b>	<b>3,810</b>	<b>1,945</b>
Revaluations beginning of year	(18,040)	0	28
Share of profit/loss for the year	(1,390)	0	0
Fair value adjustments	0	0	190
Other adjustments	0	155	0
<b>Revaluations end of year</b>	<b>(19,430)</b>	<b>155</b>	<b>218</b>
<b>Carrying amount end of year</b>	<b>7,161</b>	<b>3,965</b>	<b>2,163</b>



<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Equity interest %</b>
LEO Pharma A/S	Denmark	100
LH Capital A/S	Denmark	100

## 6 Other investments

### Fair value hierarchy at 31 December 2020

(DKK millions)	Level 1	Level 2	Level 3	Total
<b>Measured at fair value</b>				
Investment cash	70			70
Government and mortgage bonds	1,426			1,426
Equities	8,225			8,225
Credit	3,048			3,048
Alternatives (Financial assets)	787	779	597	2,163
<b>Other investments</b>	<b>13,556</b>	<b>779</b>	<b>597</b>	<b>14,931</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 Contingent liabilities

There are investment commitments for a total of 1.666 mDKK as of December 31, 2020

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.

# 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

### 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.

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 financial asset investments**

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

### **Other current asset 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 statement for LEO FONDET.