LEO

Dermatology
beyond the skin

Annual Report 2024

Making a fundamental difference
for those who need us most in
medical dermatology

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About this report. The sustainability statement on pages 40-66 represents LEO Pharma's compliance with the statutory disclosure pursuant to Sections 99a and 99d of the Danish Financial Statements Act.

Pictures. To highlight the experiences of people suffering from chronic hand eczema, the majority of pictures used in this Annual Report feature hands and the various situations in daily life where we use them.

LETTER FROM THE CHAIR AND THE CEO

Another year of growth strengthens our impact as a global leader in medical dermatology

With an innovative portfolio demonstrating significant commercial potential, we are building a growth platform that offers substantial value creation opportunities, positioning us for significantly improved profitability in 2025.

THE BURDEN OF SKIN DISEASES is increasing, and there is a high unmet need among the millions of people worldwide suffering from one or more of the 1,500 known indications within medical dermatology.

At LEO Pharma, we remain committed to making a fundamental difference for those who need us most in medical dermatology. That is why we embarked on an ambitious transformation journey in 2021 involving bold strategic choices to align our strengths with market opportunities. Those choices are starting to pay off.

Today, we leverage our global commercial infrastructure and deep expertise in skin biology to serve close to 100 million patients worldwide. At the same time, we are actively seizing external innovation opportunities to accelerate the development of breakthrough treatments. By inlicensing or acquiring promising therapies and, where appropriate, outlicensing rights or making strategic partnerships, we aim to expand our reach and transform the standard of care for people living with skin conditions.

Adtralza®/Adbry® is driving high growth today and is marketed for atopic dermatitis (AD). Anzupgo® for chronic hand eczema (CHE) is poised to drive future growth. With the ongoing launch of this first-to-market topical treatment for moderate-to-severe CHE, LEO Pharma is at an inflection point. Anzupgo® has broad expansion opportunities beyond moderate-to-severe CHE. Together with current growth drivers Adtralza®/Adbry®, these therapies constitute an innovative portfolio fueling above-market growth.

In 2021, the financial state of the company required attention. Over the last few years, we have focused on optimizing our commercial operations for growth, rebuilding our leadership and organization, and instilling a culture of accountability and strategic clarity. One of the most profound structural changes

↓
We are grateful to our partners worldwide and the close to 100 million patients who trust the LEO Pharma brand.

"The strategic partnership between LEO Pharma and Gilead Sciences, announced in January 2025, highlights our scientific expertise and the potential of our pipeline in medical dermatology and beyond."

has been our shift from an R&D model predominantly focused on in-house discovery to an enhanced focus on sourcing innovation externally. With the world as our lab, we tap into a much broader set of opportunities, identified by our leading scientists, for bringing innovative treatments to patients through our proven ability to develop and commercialize new medicines.

LEO Pharma's strategy was firmed up in 2024 and is anchored in three key areas: growth, pipeline and profitability. Additionally, our organizational capabilities and sustainability efforts act as enablers to enhance the robustness of the business and strategy implementation.

Based on the financial results in 2024 and the guidance for 2025, LEO Pharma's performance over the transformation period is on track to meet the ambitions for sustainable, profitable growth and innovation.

Growth

LEO Pharma delivered strong organic revenue growth of 10% at constant exchange rates (CER) in 2024. Dermatology revenue grew by 12% (CER) with significant contributions from Adtralza® and Adbry®, particularly in the U.S.

Leveraging our strengths as a pharma organization, Anzupgo® became available in the first European markets in the fourth quarter of 2024, and in the U.S., our ambitions were underpinned by the FDA accepting the filing of our New Drug Application (NDA) for delgocitinib in July. If approved, delgocitinib will become the first treatment in the U.S. specifically indicated for adults with moderate-to-severe CHE.

Geographically, all regions contributed positively, with North America at the forefront. The U.S. is now our largest affiliate by revenue, further strengthening our market position and driving growth.

In the Thrombosis business, we strengthened our position by establishing a new leadership team and partnering with Junshi Biosciences to commercialize toripalimab in Europe. This complements LEO Pharma's existing treatments for cancer-associated thrombosis.

These key growth drivers, including Anzupgo® and externally sourced innovation, are set to drive long-term revenue growth. Additionally, our established portfolio contributes to profitability and funds further innovation. Overall, we anticipate revenue growth of 6-9% in 2025 (CER).

Pipeline

While the burden of skin disease continues to rise, we are encouraged by the rapid scientific progress in medical dermatology. This progress is driven by a growing number of targeted therapies that modulate key immune responses, with potential applications across a wide range of inflammatory and immunological diseases.

At LEO Pharma, we see this as an exciting opportunity to leverage our deep expertise in the mechanisms driving skin diseases and to source innovation externally. Our updated innovation model, which places greater emphasis on partnerships and mergers and acquisitions (M&A), is a commitment to enhancing the impact of our global platform and accelerating the pace at which we bring innovation to patients. In dermatology, our goal is to shape early-stage research, identify high-potential opportunities, and advance them through development and commercialization.

Anzupgo® exemplifies the potential of our innovation model. We acquired the development and commercial rights to delgocitinib from JT in 2014. Leveraging our strengths in innovative topicals, we reformulated delgocitinib from an ointment into a cream and developed it for an area of high unmet need, achieving market approval for CHE. Recognizing Anzupgo® as a "pipeline in a drug," we have also identified opportunities to further expand its impact, including indication expansion. This underscores why LEO Pharma is the ideal home for medical dermatology assets with proven mechanisms of action.

Similarly, we recognize that our own pipeline assets may have potential beyond our core focus in dermatology. To maximize their impact and value, we seek to establish strategic partnerships.

We have thoroughly evaluated our existing pipeline using the same criteria we apply to external opportunities. As a result, we have decided to seek partners for those of our promising programs that have greater potential outside of LEO Pharma. This approach allows us to maximize the impact of these programs while concentrating our resources on opportunities where we see the greatest potential for applying LEO Pharma's unique capabilities, such as expanding Anzupgo® and advancing early-stage assets toward clinical development.

The strategic partnership between LEO Pharma and Gilead Sciences, announced in January 2025, exemplifies the potential for mutually beneficial collaboration. This partnership highlights our scientific expertise and the potential of our pipeline in medical dermatology and beyond. It also demonstrates our commitment to selecting the best options to accelerate the development of our therapies for the benefit of patients.

Profitability

In 2024, LEO Pharma improved earnings significantly, with the adjusted EBITDA margin reaching 7%. Adjusted EBITDA improved to DKK 895 million from DKK 626 million in 2023. Moreover, the strategic closure of activities in underperforming markets and the focus on a higher return innovation model have optimized our approach to delivering value.

The pace of improvement exceeded our initial expectations, and we are encouraged by the significant improvement in free cash flow, which, while nearly at break-even for the year, turned positive at DKK 727 million for the second half of 2024.

The trajectory is encouraging, and we are committed to achieving a significantly improved EBITDA margin of 15-18% in 2025. By maintaining financial discipline, delivering consistent high growth and building an attractive pipeline of late-stage assets, we are laying the foundation for long-term financial strength, with 2025 marking LEO Pharma's return to delivering a positive net profit going forward.

> **"We have committed to setting an ambitious, science-based target for our total CO_2 emissions across our value chain. This is aligned with the Corporate Net-Zero Standard and supported by interim targets for 2030."**

Uniting as one team

Our leadership team and skilled employees play vital roles in our transformation. Despite a year of continuous changes across the organizaton, we have fostered a collaborative and dynamic culture. We are earning increasing recognition as an innovative and rewarding place to work. Initiatives such as the Winning Behaviors framework, diversity programs and employee development opportunities have enhanced engagement and retention.

Our global leadership has provided a clear strategic focus, fostering a high-performance culture aligned with our goals. With the inclusion of members from Thrombosis and Strategy in the Global Leadership Team, we have established a strong team with the right competencies to execute LEO Pharma's strategy and capitalize on current and future opportunities.

Leaving a legacy

LEO Pharma's sustainability agenda is integral to our purpose. In 2024, we reached 100% renewable electricity sourcing across our facilities and advanced CO_2 reduction initiatives. We have committed to setting an ambitious, science-based target for our total CO_2 emissions across our value chain. This is aligned with the Corporate Net-Zero Standard and supported by interim targets for 2030. Beyond environmental impact, we have made strides in gender equity and diversity, enhancing equal gender representation across leadership levels. These efforts reflect our belief that a diverse and inclusive workplace fosters innovation and resilience.

Building on a strong foundation

As we enter 2025, we are poised to build on our momentum. With a focused strategy, solid market position, innovative portfolio and committed team, LEO Pharma is well positioned to continue advancing the standard of care for people with skin diseases while delivering long-term, profitable growth.

We want to express our appreciation to all our colleagues for their commitment during another transformative year. As we said goodbye to valued employees, our continued dedication to our purpose has been crucial in navigating this period and delivering solid results.

Jesper Brandgaard
Chair of the Board of Directors

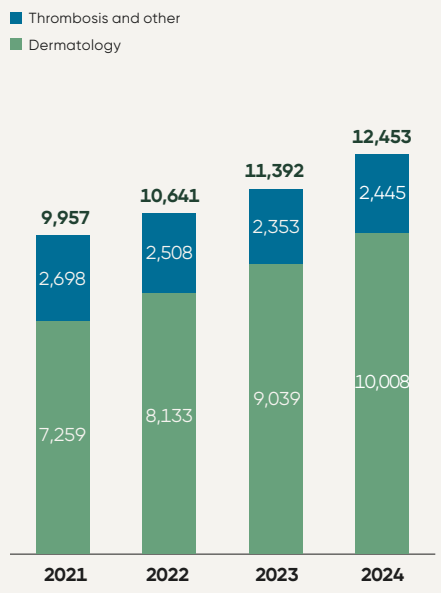
Christophe Bourdon
CEO

At a glance

LEO Pharma is a global company dedicated to advancing the standard of care through innovation for the benefit of people with skin conditions. LEO Pharma is co-owned by the LEO Foundation, the majority shareholder, and, since 2021, Nordic Capital.

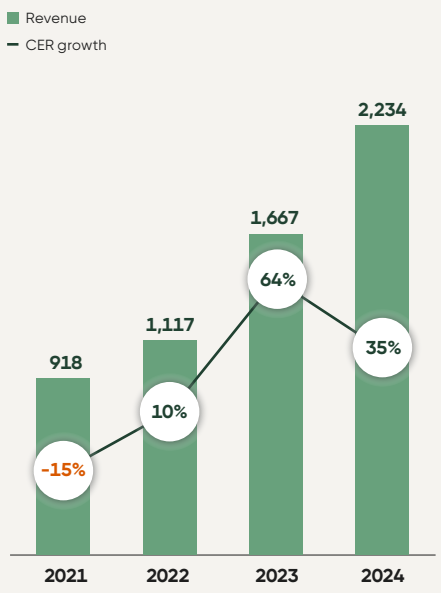
Group revenue

DKK million



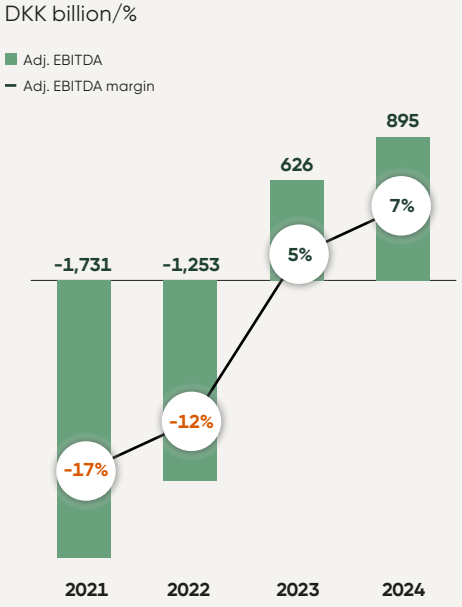
North America revenue

DKK million/%



Adjusted EBITDA and adjusted EBITDA margin

DKK billion/%



10%

Group revenue growth (CER)

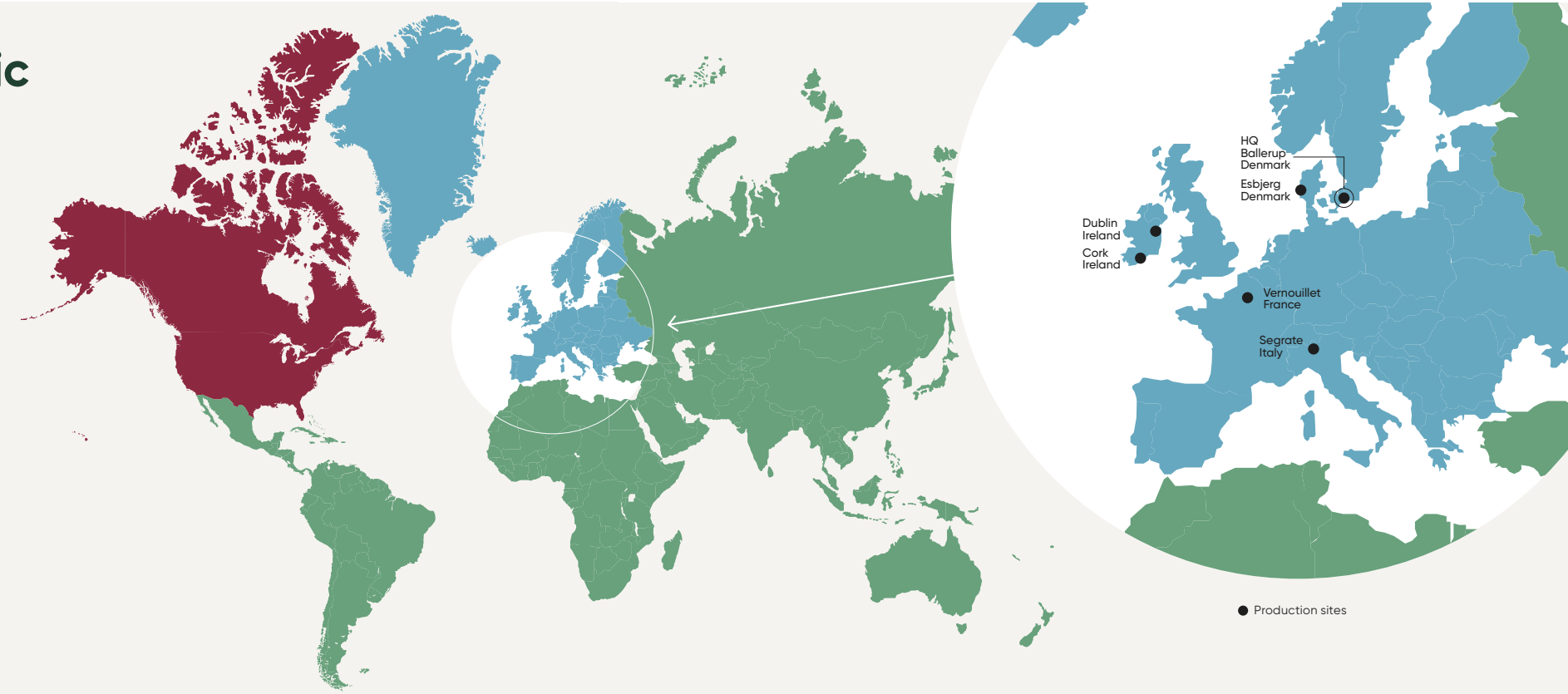
12%

Dermatology revenue growth (CER)

20

Adtralza®/Adbry® available in 20 markets

Our geographic footprint



18%

Share of revenue, North America
35% revenue growth in 2024 (CER)

55%

Share of revenue, Europe
7% revenue growth in 2024 (CER)

27%

Share of revenue, Rest of World
5% revenue growth in 2024 (CER)

~4,000

Dedicated employees
in 32 countries

70+

Markets (31 affiliate &
41 partner markets)

~100m

Patients in treatment with
LEO Pharma products annually

Business model

LEO Pharma creates value by bringing differentiated solutions to patients with high unmet needs

The resources we depend on

Diverse talent

Global presence

Raw materials, water and energy

Financial resources

Partners

Our expertise in medical dermatology

Co-shape & insource innovation

Deliver high-quality finished goods
- 6 production sites

Drive differentiation through development

Commercialize broad portfolio
- 1,000+ FTEs in 70+ markets

The value we bring to society

~100m

People use LEO Pharma products annually

26

Peer-reviewed scientific publications in 2024

25,000

Units of medicine donated to charity in 2024

2024 highlights

Q1

- **January**
  Acquisition of TMB-001 for congenital ichthyosis from Timber Pharmaceuticals following its chapter 11 bankruptcy filing. In August, trial results showed no statistically significant difference between the active treatment and the vehicle
- **January**
  Results of the successful DELTA FORCE trial comparing delgocitinib to current standard of care
- **March**
  Strong presence at the AAD (U.S.) congress with eight accepted abstracts and two late-breaking abstracts
- **March**
  Reached 100% renewable electricity sourcing across our production sites

Q2

- **May**
  Q1: Revenue up 13% (CER) with dermatology growth of 16% (CER). Positive revision to outlook
- **May**
  Successful Enstilar® Phase 3 trial results in China

Photo by kiryl on Unsplash

Q3

- **July**
  FDA approval of Adbry® 300 mg single-dose autoinjector for adult patients. Launched in September
- **July**
  Publication of results from pivotal DELTA 1 and DELTA 2 trials with delgocitinib in *The Lancet*
- **August**
  H1: Revenue up 11% (CER) with dermatology growth of 13% (CER). Positive revision to outlook
- **September**
  European Commission approval of Anzupgo® for adults with moderate-to-severe CHE
- **September**
  U.S. filing of delgocitinib NDA for the treatment of CHE accepted by FDA
- **September**
  NDA for Enstilar® for adults with plaque psoriasis submitted in China

- **September**
  Most extensive program to date at the European EADV congress, with five late-breaking abstracts and 23 posters sharing clinical and real-world data
- **October**
  Commitment to net-zero greenhouse gas emissions by 2050

Q4

- **October**
  Q3: Revenue up 10% (CER) with dermatology growth of 12% (CER)
- **October**
  Anzupgo® launch in Germany and Denmark
- **December**
  Marketing authorisation for Anzupgo® in the UK granted by MHRA
- **2025**
  LEO Pharma and Gilead Sciences enter into strategic partnership to accelerate development of oral STAT6 program with potential in multiple inflammatory diseases
- **2025**
  LEO Pharma partners with Junshi Biosciences for commercialization of toripalimab in Europe

Key figures

(DKK million)	2024	2023	2022	2021	2020
Income statement					
Group revenue	12,453	11,392	10,641	9,957	10,133
Of which dermatology revenue	10,008	9,039	8,133	7,259	6,894
Gross profit	7,518	7,200	6,283	6,048	6,773
R&D costs	2,270	2,122	2,485	3,101	2,020
Adjusted EBITDA[1]	895	626	(1,253)	(1,731)	820
Operating profit before depreciation and amortization (EBITDA)[1]	600	551	(1,574)	(1,957)	521
Operating profit/(loss) (EBIT)	(1,143)	(1,699)	(3,311)	(4,156)	(726)
Net financial items	(814)	(1,093)	(782)	(607)	(354)
Profit/(loss) before tax	(1,957)	(2,792)	(4,093)	(4,763)	(1,080)
Net profit/(loss) for the year	(1,776)	(3,607)	(4,110)	(4,868)	(951)
Balance sheet					
Investments in property, plant and equipment	258	348	590	800	1,164
Non-current assets	11,477	12,272	14,765	15,110	15,243
Current assets	8,674	8,679	8,167	8,585	8,610
Total assets	20,151	20,951	22,932	23,695	23,853
Equity	2,704	4,525	1,946	5,537	6,947
Net interest-bearing debt[2]	11,115	10,956	15,027	11,144	10,144
Cash flow					
Cash flow from operating activities	265	(1,953)	(2,274)	(2,498)	(737)
Free cash flow	(52)	(2,490)	(3,750)	(3,869)	314
Operating net working capital[3]	5,933	5,796	5,456	4,539	3,775
Net working capital[3]	3,028	3,584	2,355	1,956	2,689

[1] Reference to Note 1.3 Non-IFRS measures, page 75.
[2] Reference to Note 5.2 Financial risks, page 101.
[3] Reference to Glossary, page 145.

		2024	2023	2022	2021	2020
Key ratios	**%**					
Revenue growth		9%	7%	7%	(2%)	(6%)
Revenue growth at CER[1]		10%	10%	4%	(1%)	(5%)
Dermatology revenue growth		11%	11%	12%	5%	(2%)
Dermatology revenue growth at CER[1]		12%	15%	9%	7%	(1%)
Gross margin[3]		60%	63%	59%	61%	67%
R&D costs (% of revenue)		18%	19%	23%	31%	20%
Adjusted EBITDA margin[1]		7%	5%	(12%)	(17%)	8%
EBITDA margin[1]		5%	5%	(15%)	(20%)	5%
Operating profit/(loss) margin[3]		(9)%	(15%)	(31%)	(42%)	(7%)
People	**No.**					
Average number of full-time employees (FTE)[3]		4,184	4,490	5,252	5,804	5,955
Number of full-time employees (FTE) at year-end		4,090	4,284	5,042	5,612	5,803
Environmental, social and governance	**Unit**					
Number of patients served	thousands	100,053	96,003	89,305	84,686	93,262
Total CO_2e (Scope 1 and 2, market-based)	tonnes	22,316	23,555	24,309	23,144	31,130
Scope 3 supplier engagement	%	81%	83%	66%	65%	-
Share of renewable electricity	%	98%	91%	91%	92%	54%
Employee turnover rate	%	18%	26%	19%	20%	14%
Lost-time injury (LTI) rate	LTI rate	2.2	2.5	1.9	1.7	1.9
Employees completing global annual Code of Conduct training	%	99%	99%	97%	96%	-
Gender diversity - all managers	ratio men/women	54/46	52/48	54/46	55/45	56/44
Gender diversity - Board of Directors	ratio men/women	83/17	87.5/12.5	87.5/12.5	87.5/12.5	71/29

02. Our business

LEO Pharma is a global leader in medical dermatology. The direction forward is clear, and in 2024 we took additional steps to deliver on our strategy.

LEO Pharma's transformation and strategy

LEO PHARMA has undergone a profound transformation in recent years, reaffirming our commitment to making a fundamental difference for those who need us most in medical dermatology. Today, we use our global commercial infrastructure and deep skin biology expertise to serve patients worldwide, and we are seizing external innovation opportunities to accelerate the development of breakthrough solutions. At the same time, we are optimizing operations and equipping our teams with the capabilities necessary to drive sustainable growth and profitability.

Our path toward becoming a sustainable company was further strengthened through the formation of a partnership between our majority shareholder, the LEO Foundation, and Nordic Capital, a global private equity firm with deep experience in the pharma industry. Together, they provided a solid backbone for a revised five-year strategy with clear ambitions for profitable growth, innovation and organizational recalibration.

LEO Pharma's strategy was firmed up in 2024, and is anchored in three key areas: growth, pipeline and profitability. Additionally, the areas "Unite as One Team" and "Leave a Legacy" act as enablers to enhance the robustness and sustainability of the business. Progress and priorities for each of the five areas are detailed on the following pages.

Our strategy and priorities

Growth

- Continue global launch of Anzupgo®
- Grow Adtralza®/Adbry® through differentiation and execution
- Maximize value-add of established dermatology portfolio
- Further strengthen thrombosis operations and leverage commercial infrastructure

Pipeline

- Realize the full potential of Anzupgo® through indication expansion
- Create an attractive late-stage pipeline
- Bring in medical dermatology assets with proven mechanism of action
- Serve as integrator within the dermatology innovation ecosystem

Profitability

- Continue margin expansion
- Re-invest in growth and innovation
- Foster partnerships to accelerate de-risked innovation
- Maintain cost management discipline

Unite as one team

Wire organization for sustainable growth
Elevate leadership and strategic capabilities

Leave a legacy

Execute sustainability strategy

Based on the financial results in 2024 and the guidance for 2025, LEO Pharma's performance over the transformation period is on track to meet the ambitions for profitable growth, innovation and organizational capabilities. This is attributable to solid operational performance – especially driven by the dermatology portfolio – the capture of efficiencies and savings, as well as the strengthened global footprint, with U.S. now being the largest affiliate.

As a result, progress on the key financial indicators for the transformation has been as follows:

Transformation to sustainable growth and profitability on track

2021	Today
Strategically challenged position	**Progress against clear set of strategic ambitions**
Large commercial investments with limited ROI and delayed U.S. entries	True global platform, with U.S. now being the largest affiliate
R&D spend spread across many projects	New R&D model guided by unmet needs and commercial potential. Increased focus on also leveraging external innovation with a Search & Develop approach
Several years of almost stagnating revenue (1% net sales compound annual growth rate (CAGR) 2016-2021)	High-growth financial profile with double-digit revenue growth in 2023 and 2024, and an outlook of 6-9% revenue growth in 2025
Inflated cost base leading to negative adjusted EBITDA margin (-17% in 2021)	Significantly improved top and bottom line, adjusted EBITDA margin improved to 7%, with an outlook of 15-18% in 2025
~6,000 employees	~4,000 employees

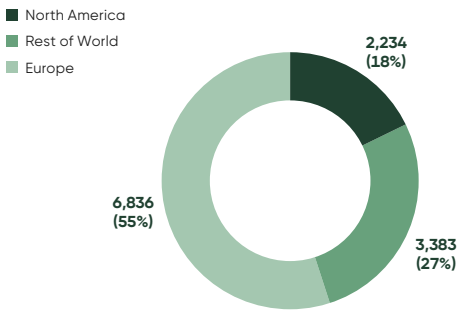
GROWTH

Expanding options for people with skin diseases

LEO Pharma delivered strong revenue growth of 10% (CER) in 2024. Dermatology revenue grew by 12% (CER) with significant contributions from Adtralza® and Adbry®, particularly in the U.S. Additionally, the established brands continued their solid growth.

Share of revenue based on

Geography, DKK million



2024 progress

Adtralza®/Adbry®

LEO Pharma's revenue growth in 2024 was largely driven by Adtralza®/Adbry®, now launched in 20 markets. Revenue from Adtralza®/Adbry® increased by 69% (CER), driven by continued uptake across markets, particularly in North America.

Our pre-filled Adtralza®/Adbry® pen was launched in 10 markets, offering patients an improved treatment experience, and the pen is now available in 12 markets. Notably, the auto-injector was approved by the FDA for treating adult patients with moderate-to-severe AD in the U.S. The approval expands the options available for the estimated 6.6 million adults in the U.S. who live with moderate-to-severe AD.

Anzupgo®/delgocitinib

In September, the European Commission approved LEO Pharma's Anzupgo® (delgocitinib) for adults with moderate-to-severe chronic hand eczema (CHE). Anzupgo® is the first topical treatment across the EU to be specifically indicated for adult patients with moderate-to-severe CHE for whom topical corticosteroids are inadequate or inappropriate. The approval follows a positive opinion from the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) and is based on results from the DELTA Phase 3 program. Anzupgo® was launched in Germany in October as the first country in the world, followed by Denmark.

LEO Pharma is also advancing its ambitions for delgocitinib in the U.S., with the FDA accepting the filing of the company's NDA. If approved, delgocitinib is expected to become the first treatment in the U.S. specifically indicated for adults with moderate-to-severe CHE.

Established brands

LEO Pharma's established brands remain an impactful value driver, and a cornerstone in the treatment paradigm for diseases such as psoriasis and AD. Brands such as Protopic® and Enstilar® account for a significant share of Group revenue, and the established brands delivered revenue growth of 3% across our affiliates and Alliance partner markets. An NDA for Enstilar® was filed in China for use in adults with stable plaque psoriasis. Thrombosis revenue increased by 8% (CER), driven by sales across European markets and with a positive impact from adjustments to rebate accruals in southern Europe.

Geographies

Regionally, revenue increased in all regions. North America grew by 35% (CER) to DKK 2,234 million, while Europe grew by 7% (CER) to DKK 6,836 million. Revenue in Rest of World grew by 5% (CER) to DKK 3,383 million.

Adtralza®/Adbry®

Offers a treatment option for patients with moderate-to-severe atopic dermatitis whose condition is inadequately controlled with topical therapies or for whom such therapies are not advisable.

Priorities

Strategic brands

The imminent strategic priority remains to leverage our more than 60 years of experience in medical dermatology and strong global commercial platform to maximize the growth potential of the strategic brands, while the value contribution from the established brands, including thrombosis, supports reinvestment in sales. Adtralza®/Adbry® and Anzupgo® are the key near-term growth drivers, with a particular focus on capturing the significant growth potential in the U.S.

Adtralza®/Adbry® has outperformed expectations in 2024. In the context of an increasingly competitive market, further market share gains will be targeted through enhanced rollout and refinement of positioning and differentiation, clear messaging, salesforce execution, and emphasizing its long-term efficacy and safety profile in the treatment of moderate-to-severe AD that is hard to treat with topical therapies.

It is our ambition that Anzupgo® will drive growth toward 2030 through its continued global launch, not least in key European markets and in the U.S., subject to approval by relevant authorities. Given the strong clinical data, we are also assessing options to expand Anzupgo® to other indications.

Established brands

Alliance markets are the key growth drivers for the established dermatology brands. With a focus on core strengths and leveraging our deep dermatology expertise, we aim to maximize the value of the commercial operating model. We will seek to leverage the strong performance of the established brands while expanding both the established and strategic brands.

Thrombosis

The thrombosis business has established a strong commercial platform within thrombosis, oncology and critical care across Europe. LEO Pharma will further strengthen operations to focus on high-value segments and explore potential new revenue streams, leveraging existing commercial infrastructure.

In January 2025, we entered a distribution and marketing partnership with Junshi Biosciences for toripalimab in Europe. Toripalimab is a monoclonal antibody targeting PD-1, designed to treat multiple malignant tumors. The partnership strengthens our thrombosis business by complementing our existing heparin-based therapies, and by leveraging our commercial platform, it will drive synergies and support continued growth.

→
FDA filing accepted. LEO Pharma is advancing its ambitions for delgocitinib in the U.S., with the FDA accepting the filing of the company's NDA.

Anzupgo®

First topical treatment to be specifically indicated for adult patients living with moderate-to-severe CHE across the EU for whom topical corticosteroids are inadequate or inappropriate.

PIPELINE

Each skin disease demands safe, effective treatment

2024 progress

Over the last few years, LEO Pharma has implemented significant changes to its innovation model, with an emphasis on external sourcing and collaboration on differentiated assets where significant value can be added. We have transformed our research and early development into a Science, Search and Innovation unit. Furthermore, operational and executional aspects of CMC and global clinical development capabilities have been externalized in line with previous changes within Regulatory, exemplified by our partnership with IQVIA, a leading healthcare analytics firm. At the same time, strategic and knowledge-based capabilities, such as portfolio strategy, program leadership, CRO management, clinical data science and regulatory competencies, have been retained and significantly strengthened.

We will continue to build on our differentiated innovation capabilities, such as search and evaluation, skin biology and formulation, as well as on our reputation as a strategic alliance partner within medical dermatology, to bring innovative treatments to patients living with skin diseases who have significant unmet needs, and where there is potential to change standard of care. The strategic partnership with Gilead Sciences is an example of such an alliance.

In July, *The Lancet* published data from the pivotal DELTA 1 and DELTA 2 trials, confirming that LEO Pharma is at the forefront of offering innovation within medical dermatology. The DELTA 1 and DELTA 2 trials investigated the safety and efficacy of delgocitinib in adult patients with moderate-to-severe CHE. Earlier in the year, the DELTA FORCE trial data showed that topical treatment with delgocitinib was superior on all primary and secondary points at week 12 compared to the only other currently approved treatment specifically for CHE, an oral, systemic treatment for adult patients with severe CHE.

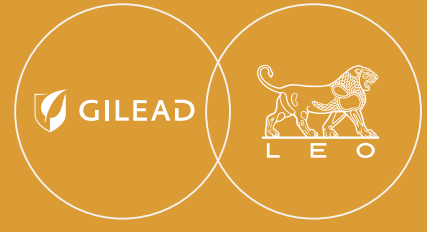
In September, nine-month interim data from the TRACE study was presented, showing that tralokinumab reduced the severity of moderate-to-severe AD in the head and neck region of the body.

The successful results of the Enstilar® Phase 3 trial in China further confirmed LEO Pharma's commitment to expanding its presence in China. This milestone represents a fundamental step in providing Chinese patients living with psoriasis with additional treatment options. Based on the results, we have submitted the Chinese NDA file and received confirmation of its acceptance.

During the year, LEO Pharma decided to discontinue its IL-17A PPI program (LP0128) due to preclinical findings in a four-week non-rodent GLP toxicity study. Additionally, the results of the double-blind part of the Phase 3 trial of TMB-001 in congenital ichthyosis were analyzed, revealing no statistically significant difference between treatment with TMB-001 and the vehicle.

LEO Pharma enters strategic partnership with Gilead Sciences on STAT6

- On January 11, 2025, LEO Pharma and Gilead formed a strategic partnership to advance LEO Pharma's preclinical small molecule oral STAT6 programs for inflammatory diseases.
- The promising STAT6 program has potential across multiple inflammatory diseases; the partnership with Gilead broadens the program beyond LEO Pharma's strategic focus on dermatology.
- Gilead will have exclusive global rights to the oral STAT6 program, while LEO Pharma retains the option to co-commercialize the oral program for dermatological indications outside the U.S.
- LEO Pharma maintains full global rights to the topical formulations of the STAT6 program in dermatology.
- LEO Pharma is eligible to receive up to USD 1.7 billion in total payments, including an upfront payment of USD 250 million as well as up to mid-teens royalties on sales of the oral STAT6 products.



Consequently, the results did not warrant a submission of an NDA to the U.S. FDA.

Priorities

LEO Pharma is actively building the capabilities needed to bring external innovation into the company in alignment with its strategic priorities. This also means that some assets may hold greater potential outside of LEO Pharma. In the near term, we aim to create a de-risked late-stage pipeline. In the longer term, our ambition is to serve as a vital integrator within the dermatology innovation ecosystem. By leveraging our deep disease insights and skin biology expertise, we seek to define problems and collaborate with partners to develop effective solutions, as exemplified by our strategic partnership with Gilead Sciences.

For the strategic brands, there are various ways to maximize commercial potential by enhancing the value of current assets with a reasonable time to impact. These include label extensions, indication expansions and reformulations. Over the coming years, we will pursue these paths, leveraging our pharmaceutical expertise. Our focus will be on generating evidence to further differentiate our portfolio from alternatives and on exploring opportunities to expand the impact of Anzupgo®/delgocitinib.

Project	Description	Indications	Partners	Pre-clinical	Phase 1	Phase 2	Phase 3	Filing	Regions
Delgocitinib[1] **LP0133**	Topical pan-JAK inhibitor	Chronic hand eczema	JT						Global
Calcipotriol LP0053	Calcipotriene and beta-methasone diproronate foam	Plaque psoriasis	LEO Pharma						China[2]
Tralokinumab[3] **LP0162**	Anti-IL-13 monoclonal antibody	Atopic dermatitis (pediatrics)	AstraZeneca						Global
		Atopic dermatitis (AD on hands)	AstraZeneca						Global
Temtokibart LP0145	Anti-IL-22RA1 monoclonal antibody	Atopic dermatitis	Argenx						Global
IL-1RAcP LP0189	Anti-IL-1 RacP monoclonal antibody	Inflammatory skin diseases	MorphoSys						Global
STAT6[4]	Oral program	Inflammatory diseases	Gilead						Global
STAT6[5] **LP0208**	Topical program	Inflammatory skin diseases	Gilead						Global

Project compounds in our pipeline are investigational and have not been approved in the listed indications and regions by regulatory authorities.

1 Approved in the EU for Chronic Hand Eczema.
2 Approved in the EU and U.S. for plaque psoriasis.
3 Approved in the EU and U.S. for AD in adults and adolescents.
4 Partnership announced 11 January, 2025: Gilead controls the global rights to the oral STAT6 program and is in full control of the clinical development. LEO Pharma will have the option to co-commercialize oral programs for dermatology ex-U.S.
5 LEO Pharma holds an exclusive license from Gilead for STAT6 topical products.

←
Search and develop innovation model. LEO Pharma is leveraging its strengths in clinical dermatology, skin biology and formulation science to drive innovation. This includes broad expansion opportunities for Anzupgo® and promising next-generation assets in the early pipeline, along with a wide range of business development opportunities.

PROFITABILITY

Ensuring the financial strength to reinvest in innovation

2024 progress

In 2024, LEO Pharma made significant progress in enhancing profitability, laying a robust foundation for pursuing strategic opportunities aligned with the company's growth objectives. With a clear strategic direction that leverages the company's strengths and a committed and capable leadership team, LEO Pharma took important steps to prioritize and right-size operations as well as improve capital allocation.

The adjusted EBITDA margin reached 7%, an increase of 2 percentage points on the previous year. This positive development was primarily the result of revenue growth and the closure of projects with limited commercial potential.

These initiatives led to redundancies affecting up to 200 positions in 2024. While difficult, these measures were necessary to improve profitability and were executed without compromising the company's ability to deliver growth and innovation.

Despite the significant improvement in EBITDA margin, LEO Pharma still trails behind its peers and remains loss-making. This underscores the strong need to continue enhancing our financial performance to achieve sustainable growth and drive the company toward profitability.

Priorities

We remain committed to balancing cost reductions with targeted investments that drive future growth. In 2025, we aim to improve profitability, targeting an EBITDA margin of 15-18%. The company plans to achieve this through further operating expense reductions, primarily by reorienting the pipeline and refining the commercial presence. The cost base reduction will allow LEO Pharma to continue investing in key growth drivers such as Anzupgo® and Adtralza®/Adbry®.

In operations, the focus will be on supply excellence, managing external manufacturing and optimizing logistics. Elimination of inefficiencies, realization of strategic improvement projects and reducing upstream costs are integral to the strategy.

R&D efforts are focused on implementing our enhanced innovation strategy, which leverages external innovation and LEO Pharma's ability to sustainably identify and secure new assets for our pipeline.

Through disciplined financial management and operational excellence initiatives, LEO Pharma is well positioned to enhance profitability and achieve its long-term strategic objectives.

15-18%

adjusted EBITDA margin outlook in 2025

→
LEO Pharma's compounding business model aims to deliver high growth, significant margin expansion and accelerated cash conversion.

PEOPLE & CULTURE

Uniting as one team

LEO Pharma wants to be an inspiring place to work that attracts, retains and develops top talent. This requires leadership and strategic capabilities throughout the organization and a governance model that enables effective cross-functional decision-making.

WINNING BEHAVIORS is an organizational framework designed to promote collaboration, efficient decision-making and accountability. By inspiring every leader and employee to unite as one team and strive for impact, Winning Behaviors nurtures a strong value-based culture that drives the organization toward our strategic goals.

Culture – nurturing Winning Behaviors

After thorough implementation, Winning Behaviors is now rooted in the company's culture and serves as a shared reference for how the organization works together effectively, aligning with our corporate values and supporting LEO Pharma's business objectives.

Monthly global townhall meetings continue to keep the close link between the leadership and the business, to effectively communicate the strategy and allow for questions to achieve strategic clarity.

Team diversity

The commitment to fostering a diverse and inclusive culture has remained a top priority in 2024. Building on previous initiatives, the approach to ensuring diversity within teams has been expanded to include a wider range of key metrics: gender, nationality and generation.

Currently, 54% of our teams meet our criteria for being diverse, which requires a balance across these dimensions – no more than 75% representation of one gender, nationality or generation within a team, and at least a full generational gap between the oldest and youngest members. Achieving at least two of these criteria qualifies a team as diverse, supporting our commitment to fostering a dynamic and inclusive work environment, driving innovation and strengthening LEO Pharma's ability to achieve its business objectives.

Our winning behaviors

Collaborate and put LEO Pharma first

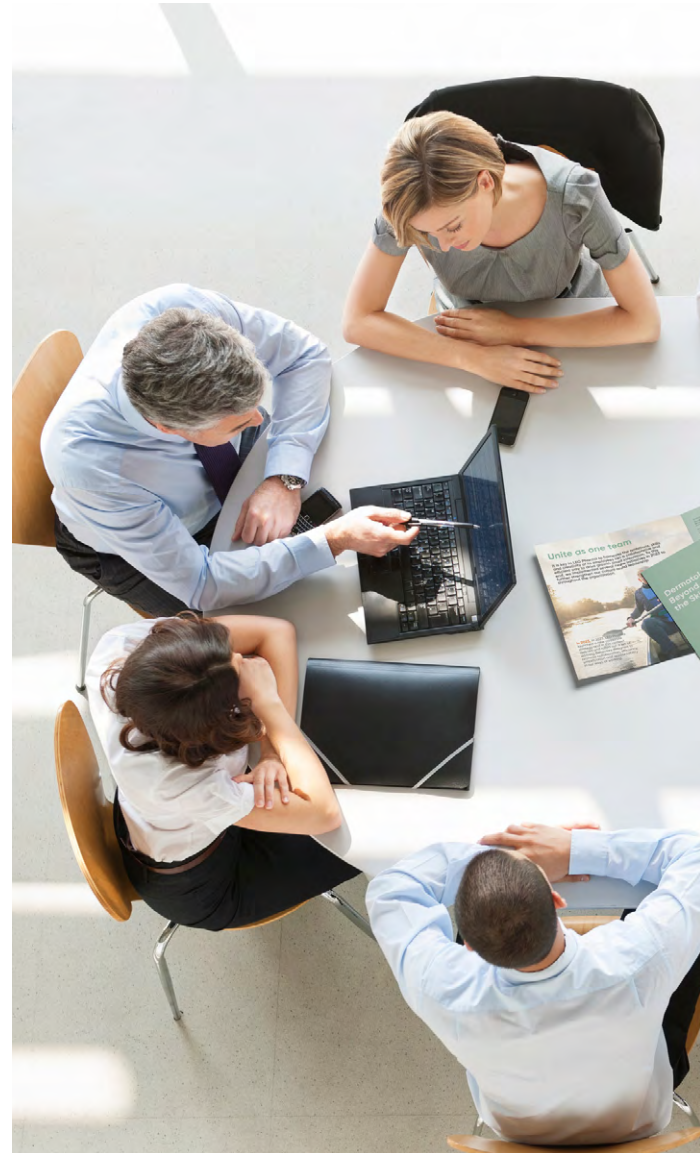
- Work and think as one team
- Feedback is a gift - to give and receive

Prioritize and simplify

- Ruthlessly prioritize
- Simplify and say no

Be accountable and own it

- If you see it, you own it
- Always strive for impact



Engagement – retention and development

As an employer, LEO Pharma provides attractive benefits due to its size and focus on employee engagement. The company is large enough to have an impact and small enough to be agile, fostering versatile roles and opportunities for professional growth. A flat structure empowers employees to make visible contributions, and each year, approximately 15% of employees experience substantial changes in their roles, providing flexibility and development opportunities. Additionally, a structured development process ensures clear goal-setting and regular feedback, supporting each employee's growth and alignment with overall business objectives. The process applies to both part-time and full-time employees.

Employee engagement has shown positive momentum in 2024, with a voluntary turnover rate of 9.9%, down from 13.2% in 2023.

LEO Pharma has made significant progress in identifying and mapping critical positions, ensuring they are filled by top talent to effectively deliver on the company's strategy. The Global Leadership Team has been deeply involved in developing this robust approach to defining and assessing critical positions.

LEO Pharma has also established a graduate program designed to give early talents the opportunity to make a real business impact and create affinity with the company. The program offers three positions every year and provides the talents with a strong toolbox through hands-on experience in various functions, working with teams across the value chain, and gaining a deep understanding of LEO Pharma and the pharmaceutical industry.

Employee engagement will continue to be highly prioritized by providing further development opportunities, enhancing feedback mechanisms and refining retention strategies to create a supportive, high-performance workplace.

Employee Share Purchase Plan

Since 2021, all LEO Pharma employees have been invited to invest in employee shares through two separate rounds. In the most recent round in 2023, 41% enrolled in the program. The aim is to enable all employees to benefit from the expected future value creation in the company and recognize their role in its success.

Employee engagement survey

76%

Overall employee engagement score

81%

Overall response rate

SUSTAINABILITY

Leaving a legacy the next generation will be proud of

THE COMMITMENT to sustainability is embedded in LEO Pharma's aim to leave a legacy the next generation can be proud of. This is more than a statement; it is a core strategic enabler that defines how LEO Pharma operates and measures success, with key aspects integrated into performance metrics, incentive programs and corporate loan facilities.

As a company dedicated to all the people living with a skin disease and to the healthcare community that treats them, LEO Pharma focuses on making a meaningful difference, bringing positive impacts to patients, people and the protection of the planet.

In 2024, LEO Pharma conducted its first CSRD-aligned double materiality assessment (DMA) to identify sustainability-related risks and impacts across the value chain, guiding its sustainability efforts and reporting. Internally, we reaffirmed our commitment to sustainability and established a sustainability network for employees with a special interest in this area, fostering knowledge sharing and upskilling within the organization.

Delivering better for patients' unmet needs

LEO Pharma's commitment to addressing patients' unmet needs sets the company apart. Understanding the daily realities of living with a skin disease drives every business decision – from identifying which diseases to address to developing treatments with lasting impact. This approach creates value for patients, healthcare professionals and society at large.

In 2024, LEO Pharma assessed its maturity in patient engagement across the organization. Simultaneously, the approach for measuring this maturity was tested and externally evaluated, enabling the establishment of targets and a standardized method for tracking improvements.

Our ambition is to create transparency and provide clear direction on how and where LEO Pharma engages with patients in developing treatments. This will help advance the standard of care for more people with skin conditions and drive business value.

Diversity

LEO Pharma embraces diversity and inclusion as foundational elements of its culture. The goal is to foster a workplace that encourages all employees to bring their true selves to work. This philosophy is reflected at every level, from inclusive and transparent recruitment processes to inclusive language workshops that have engaged employees across the organization.

The company is also committed to achieving gender diversity in leadership, with ongoing efforts to support balanced representation at all levels. At the end of 2024, a male/female gender distribution of 55/45 and 53/47 within senior and middle management respectively was achieved. With a commitment to fostering gender diversity across all management levels, LEO Pharma is well on track to meet its 2025 target of at least a 45% representation of the underrepresented gender at both management levels.

Beyond gender, LEO Pharma recognizes the importance of diverse experiences and backgrounds, including age, geography and education. By nurturing an inclusive work environment, LEO Pharma attracts and retains talent with diverse perspectives and insights.

Environment

In 2024, LEO Pharma committed to long-term company-wide emission reductions in line with the Science Based Targets initiative (SBTi) and the Paris Agreement. This means that by 2050, no greenhouse gas emissions should result from LEO Pharma's business activities and value chain (Scope 1, 2 and 3). This ambitious target requires thorough integration of climate considerations into business decisions.

LEO Pharma has already set near-term targets to reduce Scope 1 and Scope 2 CO_2e emissions by more than 50% by 2030. In 2024, Scope 1 and 2 CO_2e emissions were reduced by 5% compared to 2023.

Engagement with suppliers is recognized as essential to meeting the climate targets. Currently, 81% of suppliers (by emissions) have set targets validated by the SBTi or announced CO_2 reduction commitments, representing a slight decrease of 2 percentage points compared to 2023. LEO Pharma's current target is that at least 75% of suppliers will have set such targets by 2026. Toward 2050, LEO Pharma will collaborate with suppliers to support our net-zero commitment.

In 2024, LEO Pharma attained the goal of using 100% renewable electricity to power facilities worldwide, up from 92% in 2023. The company also began implementing new car procurement policies locally, focusing on battery electric vehicles (BEVs) only, to reduce emissions from its car fleet.

KPIs:

100%

Share of renewable electricity at production sites

55/45%

(M/F) gender diversity in senior management

KPI:

Net-zero

CO_2 emissions in 2050

LEO Pharma has committed to achieving a net-zero climate target by 2050. This involves developing an extensive decarbonization plan across the company's operations, aligning with the Paris Agreement and climate science recommendations to limit global warming to 1.5°C.

LEO PHARMA STORIES – CHRONIC HAND ECZEMA

"If I could get my CHE under control, I'd feel like I could do anything...".

She has to consider every touch she makes, but Emma refuses to let her CHE hold her back.

For most people, their hands are integral to almost everything they do. Every touch. Every task. But for people living with CHE – approximately 1 in 10 – every such moment is cause for hesitation: Will this hurt? Will anyone notice? Will my CHE hold me back?

Skin conditions such as CHE significantly impact quality of life: the pain, itchiness and swelling affect performance and mean lost days in school or at work, and having visibly affected hands contributes to a considerable psychological burden, including anxiety and low self-esteem.

How would you describe living with CHE?

Emma: "From the moment I wake up, I'm conscious of the fact that my hands either hurt or are itchy, almost as if you've got little bugs all over your hand that you desperately want to get off. It makes you feel insane...".

How does your CHE affect your everyday life?

Emma: "I find that I can't pick things up anymore. I'm constantly applying moisturizer, and my hands are really sticky all the time. I can't write and work. I can't do my e-mails. Sometimes I can't write on paper, because my hands are just swollen."

"If I want to cook a meal for my family, I've got to think, how much will this hurt me? How much will this trigger my eczema?"

"When I have a flare-up on my hands, I really don't want anyone to touch me. I don't want them to come near my hands. It's just really invasive."

What do you do to take your mind off your CHE?

Emma: "For me, going in the water feels so exhilarating. It's freezing usually, so that takes over everything else in your brain. It can sting a lot if you go in the sea with your eczema, but it feels like total escape."

→
Emma: age 23, has lived with CHE for nine years.

03. Financial review & outlook

In 2024, LEO Pharma delivered a solid operational performance, fueled by strong growth, cost reduction measures and enhanced financial discipline.

Financial review and outlook

In 2024, LEO Pharma delivered another year of strong progress, with both sales growth and adjusted EBITDA margin exceeding the initial outlook for the year. The approval and launch of Anzupgo®, along with new efficiency initiatives implemented in 2024, have positioned LEO Pharma for continued growth and significantly improved profitability in 2025.

Revenue for the LEO Pharma Group

Group sales increased by 9% to DKK 12,453 million in 2024. At constant exchange rates (CER), Group sales growth was 10%, driven entirely by organic growth. Dermatology, now accounting for 80% of Group sales (up from 79% in 2023), delivered solid double-digit growth for the second consecutive year, driven by the continued strong uptake of Adtralza®/Adbry®. Exchange rates had a slight negative impact on reported sales growth, primarily due to certain Rest of World (RoW) currencies, including TRY and JPY, versus DKK.

Revenue by therapeutic area

Sales in dermatology grew by 11% to DKK 10,008 million, corresponding to 12% growth (CER). The continued strong uptake of Adtralza®/Adbry®, now available in 20 markets, drove a 69% increase in sales (CER) for the product and accounted for most of the growth in dermatology sales. Across markets, Adtralza®/Adbry® is benefiting from increased familiarity among prescribers and the growing adoption of biologic treatments for atopic dermatitis, with recent competitor launches also contributing to heightened awareness. The introduction of a pre-filled Adtralza®/Adbry® pen, now available in 12 markets, has further strengthened uptake.

Anzupgo® was launched in its first two markets, Germany and Denmark, during Q4. While initial feedback has been positive, the launch did not significantly impact full-year revenue.

Beyond Adtralza®/Adbry® and Anzupgo®, the established dermatology brands recorded combined sales growth of 3% (CER). This growth was driven by Protopic®, which achieved solid double-digit growth for the second consecutive year, benefiting from strong performance in multiple markets. Kyntheum® and Skinoren® also contributed, while sales for the rest of the established brands remained largely stable.

Sales in thrombosis increased by 8% to DKK 2,304 million, corresponding to 8% growth (CER). This growth was positively impacted by an extraordinary reversal of prior-year sales discounts. Adjusted for this, the underlying growth in thrombosis sales was 2% (CER). The Innohep® portfolio continued to account for the majority of thrombosis sales, with underlying growth driven by strong performance in Germany, Canada and Italy. However, growth was adversely affected by price reforms in the UK and Ireland.

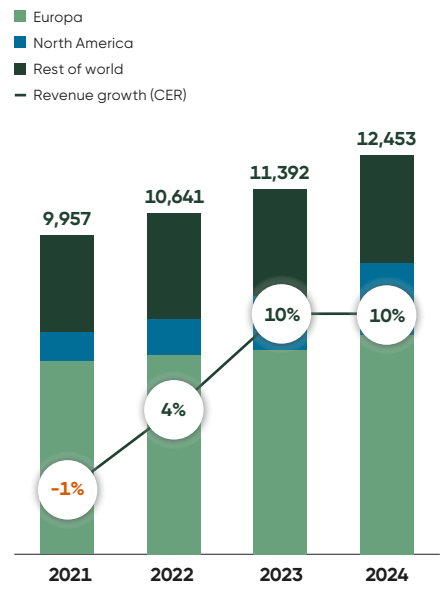
Other revenues from contract manufacturing of divested products totaled DKK 141 million in 2024, an expected deviation compared to DKK 212 million in 2023.

Revenue by region

Geographically, sales grew most strongly in the North American region, increasing by 34% to DKK 2,234 million, corresponding to 35% growth (CER). This robust growth marked a key milestone as the U.S. became LEO Pharma's largest market by revenue in 2024, driven by the continued strong uptake of Adbry®. Canada also contributed significantly to the regional

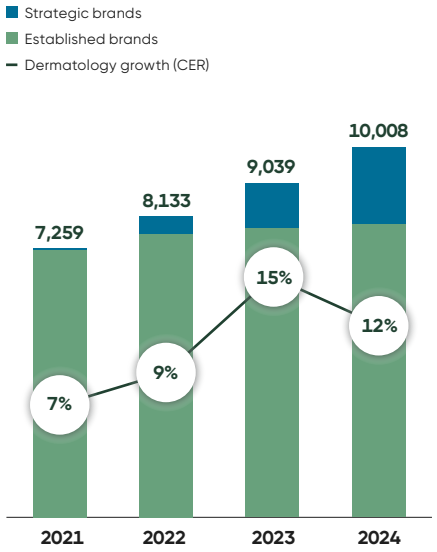
Total revenue by region and revenue growth

DKK million



Total dermatology revenue

DKK million



performance, achieving double-digit growth (CER) for the year. However, currency fluctuations had a 1 percentage point negative impact on regional revenue growth in DKK, as CAD was weaker against DKK compared to 2023.

Sales in Europe increased by 7% to DKK 6,836 million, corresponding to 7% growth (CER). The regional growth was led by Germany, which achieved double-digit growth (CER) for the year. Italy, Greece, the UK, Turkey and France also contributed significantly, with mid- to high-single-digit growth (CER). The continued uptake of Adtralza® was the main growth driver for the region, complemented by significant contributions from Protopic® and Kyntheum®, as well as higher thrombosis sales in some markets.

Sales in the Rest of World region increased by 1% in 2024 to DKK 3,383 million, corresponding to 5% growth (CER). Key markets driving this growth included the UAE, Saudi Arabia and Australia, all of which delivered double-digit growth (CER). However, sales in Japan were negatively impacted by pricing pressures. China contributed moderately to growth, as low consumer confidence affected both online and offline retail channels, particularly in the second half of the year. Regional growth was driven by Adtralza®, as well as Protopic®, Enstilar®, Kyntheum® and Skinoren® in some markets. Exchange rates had a 4 percentage point negative impact on regional revenue growth in DKK, reflecting the depreciation of currencies including JPY, RUB, TRY, CNY and BRL against DKK.

Gross profit

Gross profit increased by 4% to DKK 7,518 million in 2024, resulting in a gross margin of 60%, compared to 63% in 2023. The 2024 gross profit included non-recurring costs of DKK 20 million for transformation and restructuring, while the 2023 gross profit included DKK 178 million in impairment charges. Adjusted for these items, the gross margin declined from 65% in 2023 to 61% in 2024. The margin was negatively impacted by delayed effects from increased raw material prices procured in previous years and provisions related to the renegotiation of certain supplier contracts. These negative effects more than offset the positive underlying impact of increased sales.

Costs

Sales and distribution costs

Sales and distribution costs amounted to DKK 4,922 million in 2024, compared to DKK 5,098 million in 2023. The decrease of DKK 176 million was primarily due to extraordinarily high impairment charges in 2023, partially offset by non-recurring costs of DKK 179 million related to the transformation and restructuring of the organization in 2024. Excluding these non-recurring items, sales and distribution costs as a percentage of Group sales stood at 38% for the year versus 45% in 2023 (adjusting also for impairment charges in 2023, the cost ratio was 38% for 2024, compared to 41% in 2023). This higher efficiency was achieved despite investments in the launch of Anzupgo® and the continued rollout of Adtralza®/Adbry®.

Research and development costs

Research and development costs amounted to DKK 2,270 million in 2024, compared to DKK 2,122 million in 2023. The 2024 costs included non-recurring expenses of DKK 68 million related to the transformation and restructuring of the organization. Excluding these non-recurring items, research and development costs as a percentage of Group sales stood at 18%, broadly similar to 2023. Adjusting also for impairment charges, the cost ratio was 16% for 2024, compared to 17% in 2023. Key investment projects for the year included trial costs primarily related to tralokinumab and delgocitinib.

Administrative costs

Administrative costs amounted to DKK 1,482 million in 2024, down from DKK 1,720 million in 2023. The 2024 costs included non-recurring expenses of DKK 34 million related to the transformation and restructuring of the organization. Excluding these non-recurring items, administrative costs as a percentage of Group sales stood at 12%, compared to 14% in 2023 (adjusted for DKK 75 million in restructuring costs incurred in 2023). The improved efficiency reflects operating leverage from increased sales as well as absolute savings implemented during the year.

Other operating income

Other operating income was DKK 13 million in 2024, compared to DKK 41 million in 2023.

Operating result

Operating profit before depreciation and amortization, excluding non-recurring items (adjusted EBITDA), amounted to DKK 895 million for 2024, up 43% from 2023. This represents a 2 percentage point improvement in the adjusted EBITDA margin, reaching 7% for 2024. The margin improvement was driven by sales growth and reduced operating costs. However, exchange rate fluctuations had a slight negative impact on the adjusted EBITDA margin.

Transformation and restructuring costs excluded from adjusted EBITDA were DKK 295 million in 2024. Including these non-recurring items, EBITDA for the year totaled DKK 600 million, compared to DKK 551 million in 2023, corresponding to a 5% margin in both years.

Depreciation and amortization totaled DKK 1,743 million for 2024, including DKK 247 million in impairments, compared to DKK 2,250 million in 2023, which included DKK 694 million in impairments.

The operating profit/(loss) (EBIT) improved by DKK 556 million compared to 2023 but remained negative at DKK 1,143 million for 2024. This corresponds to an EBIT margin of negative 9% for the year, up from negative 15% in 2023. The margin improvement was driven by sales growth, enhanced operational performance and reduced impairment of balance sheet items.

Financial items and tax

Financial items showed a net expense of DKK 814 million, compared to DKK 1,093 million in 2023. This improvement was due to a DKK 140 million decrease in interest expenses, resulting from lower interest rates and a reduction in average interest-bearing debt during the year. Additionally, financial expenses related to the fair value remeasurement of non-cash share-based incentive programs amounted to DKK 25 million in 2024, down from DKK 156 million in 2023.

Total tax for the year resulted in an income of DKK 181 million, compared to an expense of DKK 815 million in 2023.

The changed net impact from tax was primarily driven by the revaluation of the deferred tax asset in LEO Pharma A/S, which increased by DKK 373 million and was accounted for as tax income. In contrast, the tax asset decreased by DKK 413 million in 2023, resulting in a tax expense for that year. Additionally, the joint taxation scheme with the main owner the LEO Holding A/S, allowed LEO Holding A/S to offset its profit with the tax losses from LEO Pharma A/S, resulting in a tax income of DKK 352 million for LEO Pharma A/S in 2024, compared to DKK 176 million in 2023.

Net profit

The net loss for the year amounted to DKK 1,776 million, compared to a loss of DKK 3,607 million in 2023. This represents an improvement of DKK 1,831 million, driven by better EBIT, net financial items and tax expenses.

Balance sheet and cash flow

Balance sheet

Total assets decreased to DKK 20,151 million as of December 31, 2024, from DKK 20,951 million as of December 31, 2023. This decline was mainly due to a reduction in intangible assets of DKK 1,157 million, primarily driven by amortization of DKK 1,098 million.

Net working capital was DKK 3,028 million as of December 31, 2024, equivalent to 24% of revenue, down from DKK 3,584 million as of December 31, 2023, which was 31% of revenue. The decrease in net working capital was mainly the result of an increase in payables.

Equity stood at DKK 2,704 million at year-end, down from DKK 4,525 million the previous year. The decrease of DKK 1,821 million was primarily due to the net loss for the year of DKK 1,776 million. Other movements included other comprehensive losses of DKK 103 million, as well as an increase in the reserve for share-based payments and minor capital increases.

Net interest-bearing debt was DKK 11,115 million as of December 31, 2024, compared to DKK 10,956 million as of December 31, 2023. Available liquidity remained largely unchanged at DKK 4,147 million as of December 31, 2024, compared to DKK 4,290 million as of December 31, 2023. Notably, this figure excludes the significant positive impact on net debt and available liquidity from the DKK 1.8 billion upfront payment received from Gilead in January 2025 (see "Subsequent events" for additional details).

Cash flow

Operating activities generated a net cash inflow of DKK 265 million in 2024, compared to an outflow of DKK 1,953 million in 2023. This improvement of DKK 2,218 million was driven by an improved operating result adjusted for non-cash items, including a net increase in provisions of DKK 415 million. Additionally, operating cash flow was positively impacted by an inflow of DKK 474 million from lower working capital, compared to an outflow of DKK 509 million for working capital investments in 2023. Furthermore, a decrease of DKK 697 million in income taxes paid benefited the cash flow for the year.

Cash flow from investment activities was negative DKK 317 million, compared to negative DKK 537 million in 2023. The reduced cash outflow was primarily due to lower investments in intangible assets and production facilities.

In 2024, free cash flow was an outflow of DKK 52 million, compared to an outflow of DKK 2,490 million in 2023. This improvement was primarily driven by better cash flow from operating activities. Notably, free cash flow generation improved significantly during 2024, resulting in an inflow of DKK 727 million in the second half of the year, following an outflow of DKK 779 million in the first half. Cash flow from financing activities resulted in an inflow of DKK 79 million, primarily due to net borrowings of DKK 181 million, partially offset by the repayment of lease liabilities amounting to DKK 110 million.

Subsequent events

On January 11, 2025, LEO Pharma announced a strategic partnership with Gilead to accelerate the development of LEO Pharma's STAT6 program. Gilead will have exclusive global rights to the oral STAT6 program and will be responsible for its development, while LEO Pharma retains an option to co-commercialize the oral program for dermatological indications outside the U.S. LEO Pharma maintains global rights to topical formulations of the STAT6 program in dermatology. Upon entering into the partnership, LEO Pharma received an upfront payment of DKK 1.8 billion (USD 250 million) and is eligible for up to DKK 10.5 billion (USD 1.7 billion) in total payments. LEO Pharma may also receive tiered royalties ranging from high single-digit to mid-teens on sales of oral STAT6 products, while Gilead may receive similar royalties on sales of topical STAT6 products.

On January 20, 2025, LEO Pharma entered into a distribution and marketing partnership with Junshi Biosciences. Under this agreement, LEO Pharma will commercialize Junshi Biosciences' anti-PD-1 LOQTORZI in up to 32 European countries, leveraging LEO Pharma's existing commercial platform for heparin-based anti-coagulation treatments for cancer-associated thrombosis and other specialty patients. LEO Pharma made an upfront payment of DKK 112 million (EUR 15 million) in January 2025.

No other significant events have occurred after the balance sheet date.

Outlook

Follow-up on 2024 outlook
The financial performance in 2024 was in line with the most recent outlook, updated in August, which projected revenue growth of 9-11% (CER) and an adjusted EBITDA margin of 6-8%. This outlook had been revised upwards following the publication of the H1 2024 results. Consequently, the full-year performance exceeded the initial outlook provided in the 2023 Annual Report, which anticipated revenue growth of 4-8% (CER) and an adjusted EBITDA margin in the mid-single digits.

Additionally, LEO Pharma delivered significant improvements in both EBIT and net result, although both remained negative for the year. This performance was in line with the outlook provided in the 2023 Annual Report, which was maintained throughout the year.

2025 outlook
Revenue growth in 2025 is expected to be 6-9% (CER). Given current exchange rates versus the Danish krone (as of 21 February 2025), revenue growth reported in DKK is expected to be 1 percentage point higher than at CER. Growth at constant exchange rates is expected to be driven by strong double-digit increases for Adtralza®/Adbry® and the launch of Anzupgo® in additional markets, including the U.S. in the second half of the year, pending FDA approval. Group revenue growth at constant exchange rates is expected to be higher in the second half of the year compared to the first half, due in part to the increasing impact from the launch of Anzupgo®.

The adjusted EBITDA margin is expected to improve to 15-18% in 2025, up from 7% in 2024, driven by sales growth and efficiency gains from restructuring initiatives implemented in 2024. Adjusted EBITDA excludes the DKK 1.8 billion one-time upfront payment from the strategic partnership with Gilead announced on January 11, as well as other non-recurring items.

Reported net profit is expected to be positive for the year, and free cash flow (excluding M&A) is also anticipated to be positive.

The above outlook is subject to risks and uncertainties. Various factors could significantly alter the outlook, including but not limited to the impact of potential BD/M&A activities, changes in the geopolitical and macroeconomic environment, significant demand shifts and/or price reforms in key markets such as the U.S. and China, regulatory changes or delays, supply disruptions, and developments in raw material and other input costs.

Financial guidance 2025

6-9%
Group revenue growth (CER)

15-18%
Adjusted EBITDA margin

Forward-looking statements
This annual report may contain forward-looking statements, related to future operating, financial and sustainability performance and results, as well as business-related events. Such statements are subject to risks, uncertainties and assumptions, both general and specific, and actual results may differ materially from those contemplated, expressed or implied by any forward-looking statement.

Various factors may affect future results, some of which are beyond LEO Pharma's control, including but not limited to; interest rate and exchange rate fluctuations, changes in the geopolitical and macroeconomic environment, significant demand shifts and/or price reforms in key markets, introduction of competing products, exposure to product liability, supply disruptions, developments in raw material and other input costs, and changes in laws and regulations, including on reimbursement.

04. Corporate matters

Our proactive and transparent governance structure promotes sustainable business behavior and long-term value creation.

Board of Directors

CHAIR

Jesper Brandgaard

Board member since 2021
Nationality: Danish
Born: 1963
Gender: Man
Independent

Selected competencies: Board leadership, global corporate leadership, pharma, M&A, strategy & transformation, business developement, technology, manufacturing, risk management

Board committees, LEO Pharma A/S: Remuneration & Nomination Committee (Chair), Innovation Committee (Interim Chair)

Career: Professional board member. EVP, Biopharm & Legal Affairs; CFO & EVP, Finance, Legal & IR; SVP, Corp. Finance, Novo Nordisk A/S. Chair of Board of Directors, Simcorp A/S. COO & CFO, EAC Nutrition

Education: MBA, MSc Economics & Auditing. BSc Economics & Business Administration, all at Copenhagen Business School

Other board memberships:
- Novonesis (Vice Chair)
- William Demant Foundation
- VækstPartner Kapital Advisory Board

VICE CHAIR

Paul Navarre

Board member since 2022
Nationality: French
Born: 1969
Gender: Man
Independent

Selected competencies: Board leadership, global corporate leadership, healthcare, M&A, strategy & transformation, ESG, sales & marketing, human capital management

Board committees, LEO Pharma A/S: Audit Committee

Career: Professional chairman & board member. Senior advisor to private equity funds. Former chairman of Arkopharma. CEO of Ferring Inc., President of Allergan International and other leadership roles. Commercial leadership country roles at Procter and Gamble

Education: Insead Corporate Governance Certification. MBA, Institut supérieur du commerce in Paris

Other board memberships:
- HTL Biotech (Chair)
- Hallura (Vice Chair)
- Cerba Healthcare (Chair)

Henrik Bo Andersson

Employee-elected board member since 2024
Nationality: Danish
Born: 1965
Gender: Man
Non-independent

Board committees, LEO Pharma A/S: N/A

Career: Senior External Manufacturing Lead, LEO Pharma. Joined LEO Pharma in 2013

Education: MSc Dairy Science (cand.lact.), Royal Veterinary and Agricultural University, Copenhagen. Graduate Diploma International Business, Copenhagen Business School

Other board memberships:
- LEO Pharma employee association (treasurer)

Signe Maria Christensen

Employee-elected board member since 2018
Nationality: Danish
Born: 1971
Gender: Woman
Non-independent

Board committees, LEO Pharma A/S: Innovation Committee

Career: Senior Strategic Alliance Manager, Portfolio Strategy and Partnering. Joined LEO Pharma in 2011

Education: MSc in chemical engineering and PhD in organic chemistry, Technical University of Denmark (DTU)

Other board memberships:
- LEO Pharma Academics Association (Vice Chair)

Board of Directors

Lars Green

Board member since 2021
Nationality: Danish
Born: 1967
Gender: Man
Non-independent

Selected competencies: Global corporate leadership, pharma, bioindustrial solutions, finance & accounting, ESG, technology, manufacturing, risk management

Board committees, LEO Pharma A/S: Audit Committee (Chair)

Career: Professional board member. CFO & EVP, Finance, IT & Legal, Novozymes A/S. EVP, Business Services & Compliance; SVP & Regional CFO, North America; SVP, Finance, Novo Nordisk A/S

Education: MSc Business Administration, Aarhus School of Business, Denmark

Other board memberships:
• LEO Foundation
• LEO Holding A/S
• The Danish Committee on Corporate Governance
• Pharmacosmos A/S

Peter Haahr

Board member since 2021
Nationality: Danish
Born: 1968
Gender: Man
Non-independent

Selected competencies: Strategy and operations, life science, finance & accounting, capital markets, business development, risk management

Board committees, LEO Pharma A/S: Audit Committee, Remuneration & Nomination Committee, Innovation Committee

Career: CEO, LEO Foundation. CFO, Novo Holdings. Several national and international leadership positions, Novo Nordisk A/S. Equity Analyst, various financial institutions

Education: EMBA, IMD, Switzerland. MSc Finance & Accounting, Aarhus University, Denmark

Other board memberships:
• World Diabetes Foundation
• House of Denmark A/S (Chair)
• LH Capital A/S (Chair)

Jannie Kogsbøll

Employee-elected board member since 1998
Nationality: Danish
Born: 1962
Gender: Woman
Non-independent

Career: Process Assistant, Production Ballerup. Joined LEO Pharma in 1985

Education: Køge Business College, qualified with a commercial diploma

Other board memberships:
• A/B Stenrosen (Chair)
• LEO Foundation
• LEO Holding A/S

Franck Maréno

Employee-elected board member since 2018
Nationality: Danish
Born: 1977
Gender: Man
Non-independent

Career: Principal Technician, Fucidin® API Fermentation and FAR Project. Joined LEO Pharma in 2008

Education: AP Graduate Laboratory and Biotechnology 'Technonome'

Other board memberships:
• LEO Foundation
• LEO Holding A/S
• LEO Pharma Technicians Club (Vice Chair)

Board of Directors

Raj Shah

Board member since 2024
Nationality: British
Born: 1968
Gender: Man
Independent

Selected competencies: M&A, science, healthcare, strategy & transformation, ESG

Board committees, LEO Pharma A/S: Innovation Committee

Career: Partner and Head Healthcare, Nordic Capital. Co-Head of Goldman Sachs healthcare investment banking. Cardiac surgeon in Oxford, UK.

Education: Degrees in medicine and surgery from Imperial College, London. Fellow of the Royal College of Surgeons. MBA from London Business School

Other board memberships:

- Clario
- Advanz Pharma

Elisabeth Svanberg

Board member since 2022
Nationality: Swedish
Born: 1961
Gender: Woman
Independent

Selected competencies: Science, biotech and pharma, business development, product management, medical affairs and clinical trials

Board committees, LEO Pharma A/S: Innovation Committee

Career: Professional board member. Chief Medical Officer at Kuste Biopharma. Chief Development Officer at Ixaltis SA. Leadership positions in R&D and Medical Affairs at Janssen Pharmaceuticals (J&J), Bristol-Myers Squibb and Serono International

Education: MD, PhD, Gothenburg University, Sweden

Other board memberships:

- Egetis Therapeutics AB
- Galapagos NV
- Amolyt Pharma SAS
- EPICS Therapeutics

Evaluation of the Board of Directors

The Board of Directors conducted a self-evaluation to ensure its contribution to LEO Pharma's development and alignment with good corporate governance practices. Areas of evaluation included strategic oversight, financial and risk management, competency fit to LEO Pharma's business, individual board members' contributions, Chair performance, succession planning and interaction with the Global Leadership Team. The evaluation was carried out by an external company to ensure anonymity and non-biased conclusions. The board evaluation was discussed by the Board, however the Board's evaluation of the Chair's performance was led by the Vice Chair without the Chair being present. The Chair provided feedback to each board member and the Vice Chair provided feedback to the Chair.

There was agreement that the Board works with a strong commitment to LEO Pharma's purpose, ambitions and strategy. This evaluation reaffirms our commitment to continuous advancement in the Board's governance practices and ensuring that the Board remains a strong pillar in supporting LEO Pharma's strategy.

Board committees

The Board of Directors has three permanent committees:

- The Audit Committee
- The Remuneration and Nomination Committee
- The Innovation Committee.

Committees for specific topics may also be formed and dissolved on an ad-hoc basis. In 2024, the IPO Preparedness Committee was dissolved, with its responsibilities distributed among the other committees.

Audit Committee

The Board of Directors has established an Audit Committee to assist in overseeing financial reporting, auditing, risk management, ethics issues, currency and investment policies, significant fixed asset investment, compliance and non-financial reporting. The Audit Committee consists of at least three members, with two appointed by the shareholders and the remaining members selected from among the Board of Directors. All members possess the relevant qualifications as specified in the Charter for the Audit Committee.

Remuneration and Nomination Committee

The Board of Directors has established a Remuneration and Nomination Committee to assist with matters related to remuneration and composition of the Board of Directors and Executive Management. The Remuneration and Nomination Committee meets as needed, but at least four times a year, and consists of at least three members. Two members are appointed by the shareholders, and the remaining members are selected from among the Board of Directors.

Innovation Committee

The Board of Directors has established an Innovation Committee to oversee the innovation strategy and pipeline. Meeting at least four times a year, the committee consists of at least two members appointed by the Board.

The Innovation Committee, previously known as the Scientific Committee, was renamed to better reflect the company's new innovation strategy.

Meeting attendance 2024[1]

Member	Board	Board meetings	Audit Committee	Remuneration and Nomination Committee	Innovation Committee
Jesper Brandgaard	Chair	100% (6/6)		100% (4/4)	100% (3/3)
Paul Navarre	Vice chair	100% (6/6)	86% (6/7)		
Henrik Bo Andersson (E)[2]	Member	100% (5/5)			
Signe Maria Christensen (E)	Member	100% (6/6)		100% (1/1)	100% (7/7)
Lars Green	Member	100% (6/6)	100% (7/7)		
Peter Haahr	Member	100% (6/6)	100% (7/7)	100% (4/4)	100% (7/7)
Jannie Kogsbøll (E)	Member	100% (6/6)			
Frank Maréno (E)	Member	100% (6/6)			
Raj Shah[3]	Member	100% (4/4)			100% (5/5)
Elisabeth Svanberg	Member	100% (6/6)			100% (7/7)
Christian Hedegaard[4]	Observer	100% (6/6)	100% (7/7)	100% (3/3)	

● Attended ○ Did not attend ● Not yet active

(E) Elected by employees

1 This is an overview of the ordinary meetings held by the Board and its committees. A number of extraordinary meetings were also held but are not included here.

2 Replaces Karin Atterman. First meeting February 22, 2024.

3 Replaces Jonas Agnblad on BoD. First meeting April 4, 2024.

4 Observer status on BoD. Replaces Jonas Agnblad on the Remuneration and Nomination Committee (first meeting June 11, 2024).

Global Leadership Team

Christophe Bourdon
Chief Executive Officer

Joined: 2022
Nationality: French-German
Born: 1970
Gender: Man

Career: CEO at Orphazyme A/S. SVP, General Manager at Amgen. SVP at EMEAC

Education: MBA from IMD. BA from ISG, France

Other positions:
• Board member of Sobi AB

Philip Eickhoff
Chief Financial Officer Global Finance and Business Services

Joined: 2022
Nationality: Danish
Born: 1979
Gender: Man

Career: CFO at Topsoe. CFO at Atos Medical. Regional CFO, North America & Pacific at Coloplast

Education: MSc Finance & Accounting from Copenhagen Business School

Other positions:
• N/A

Anne Jensen
Vice President Strategy

Joined: 2023
Nationality: American
Born: 1992
Gender: Woman

Career: Boston Consulting Group

Education: Masters in Healthcare Administration, University of Minnesota, U.S. MBA from Carlson School of Management, Minnesota

Other positions:
• N/A

Robert Spurr
Executive Vice President Region North America

Joined: 2022
Nationality: American
Born: 1962
Gender: Man

Career: President, U.S. Pharmaceuticals, Bausch Health USA. Vice President, Market Access Novartis Pharmaceuticals. Chief Commercial Officer, Repligen Corporation. VP Sales and Marketing, Lantheus Medical Imaging

Education: Masters in Business Administration (MBA) Rutgers, The State University of New Jersey, U.S.

Other positions:
• Board member of TTC Oncology and Pharma Acuity

Kreesten Meldgaard Madsen
Chief Development Officer Global Development

Joined: 2016
Nationality: Danish
Born: 1965
Gender: Man

Career: Head of R&D Asia Pacific Hub at LEO Pharma. Medical Doctor at Capital Region of Denmark. Vice President and Head of Global Clinical Development at ALK Abelló

Education: Medical Doctor and PhD in Epidemiology from Aarhus University, Denmark

Other positions:
• N/A

Leadership changes
In early July 2024, Nathalie Daste, EVP of Global People & Corporate Affairs, left LEO Pharma. Michael Meyer was appointed interim Head of Global People and joined the Global Leadership Team. In November 2024, Kristian Sibilitz was appointed Executive Vice President of Technical Development and Supply to replace Sven Hauptmann and became a member of the Global Leadership Team. Additionally, in November 2024, Jean Monin, EVP of Thrombosis, and Anne Jensen, VP of Strategy, were included in the Global Leadership Team, which now consists of 10 members. In January 2025, Robert Spurr was appointed Executive Vice President, Region North America, succeeding Brian Hilberdink, and joined the Global Leadership Team.

Global Leadership Team

Michael Meyer

Vice President
Global People

Joined: 2012
Nationality: Danish
Born: 1970
Gender: Man

Careers: Officer in the Army. HR management consultant at Mercuri Urval. Head of TA Acqisition at Tryg. HR business partner, Head of HR business partnering, CHRO at LEO Pharma

Education: Executive MBA from Copenhagen Business School

Other positions:
• N/A

Jean Monin

Executive Vice President
Thrombosis Global Business Unit

Joined: 2024
Nationality: French
Born: 1966
Gender: Man

Career: Chief Commercial Operations Officer at Ethypharm. General Manager at Amgen France. General Manager at Sanofi Australia, Belgium, Norway, Spain

Education: Masters in Marketing & Management from ESSEC Business School. Doctor in Pharmacy from Paris University

Other positions:
• N/A

Becki Morison

Executive Vice President,
Global Product Strategy &
International Operations

Joined: 2020
Nationality: American
Born: 1967
Gender: Woman

Career: Vice President/General Manager at Eli Lilly and Company. Director at First Health

Education: BA in Psychology and Religion from Denison University, U.S.

Other positions:
• N/A

Kristian Sibilitz

Executive Vice President
Technical Development
and Supply

Joined: 2024
Nationality: Danish
Born: 1979
Gender: Man

Career: Senior Vice President, Pharmaceutical Production and Supply Chain, H. Lundbeck A/S

Education: MSc in Supply Chain Management, Technical University of Denmark (DTU)

Other positions:
• N/A

Jacob Pontoppidan Thyssen

Chief Scientific Officer
Research & Early Development

Joined: 2023
Nationality: Danish
Born: 1975
Gender: Man

Career: Consultant Dermatologist at Bispebjerg Hospital. Professor at Copenhagen University. Guest Professor at the University of Zürich

Education: Medical Doctor, PhD and DmSci in Allergy and Dermatitis from University of Copenhagen

Other positions:
• N/A

Risk management

THROUGH OUR OPERATIONS, we are exposed to a broad array of risks with a potential impact on business results. Our Enterprise Risk Management program has been implemented to ensure structured, methodological and effective management of key risks across our value chain.

Risk management program

As a global pharmaceutical company, LEO Pharma operates in a highly complex business environment. Through our operations, we are exposed to a broad array of risks. These risks may have a significant impact on our business if not properly identified, evaluated, managed and monitored. An Enterprise Risk Management (ERM) program has therefore been implemented to ensure a structured, methodological and effective management of key risks across our value chain.

In 2024, we further anchored the ERM program and processes across LEO Pharma, and the assessment methodology and tools were also strengthened. The Global Leadership Team (GLT) and Audit Committee (AC) held dedicated sessions to discuss implementation of the ERM program and its continued refinement.

Risk management governance

At LEO Pharma, the Board of Directors holds overall responsibility for ERM, with delegation of the role of oversight of the ERM program to the AC.

The CEO and the GLT are responsible for ensuring that the ERM program is implemented and for setting the overall risk management strategy and level of risk tolerance. The CEO and the GLT ultimately own and must manage all relevant risks in each business area.

Finally, the Enterprise Risk team in the Global Risk & Compliance function drives implementation and maintenance of the ERM program and execution of the ERM process, and it supports leadership teams across the organization in fulfilling their ERM-related roles and responsibilities.

Risk identification and evaluation

Leadership teams in the business areas identify their key risks through a structured process that includes risk interviews and workshops. This process is facilitated by the Enterprise Risk team on a half-yearly basis. Identified risks are evaluated in terms of impact (financial, people, reputational, compliance, quality, safety) and likelihood. For each key risk, a clear scenario, set of assumptions and overview of implemented mitigating measures are developed. Sustainability- and ESG-related risks present potential and actual risks to LEO Pharma. In our sustainability statement, we outline a DMA of the risk, impact and opportunities material to LEO Pharma.

Risk monitoring and reporting

Following the identification and evaluation of key risks across the organization, the Enterprise Risk team prepares consolidated key risk profiles for LEO Pharma. The consolidated key risk profiles are shared with the CEO and the GLT and, ultimately, the AC, for their respective discussion, review and evaluation. The risk profiles are also shared with the Board of Directors on an annual basis.

This approach fosters transparency concerning key risks and exposure across LEO Pharma's global value chain, and creates a solid foundation for the prioritization of resources and execution of risk mitigation activities.

Key operational risks

Key risks	1 Macroeconomic conditions	2 Cyber security	3 New product launches
Risk area	The global economy is under pressure from inflation and interest rates, along with stagnating global trade growth. Healthcare budgets are tight, with payers focused on reducing drug spend by increasing pressure on the pharmaceutical industry. Similarly, patients have become more price sensitive. Geopolitical uncertainty continues to rise due to ongoing conflicts, social unrest and geopolitical tensions, which can weaken global trade by limiting market access, imposing trade barriers etc. Together, these risks create a challenging business environment.	Remote/flexible work practices and adoption of cloud services were among many factors contributing to a record-high number of cyber-attacks throughout the world in 2024. Numerous high-profile organizations fell victim to some form of cyber-attack, severely affecting their IT infrastructure, production and distribution. Any form of cyber security breach may happen anywhere along LEO Pharma's global value chain and across all locations.	The success of a new product launch depends on many factors, some of which are beyond our control. Events such as authorities requesting additional clinical trial data or delays at manufacturing sites can have serious consequences for regulatory approval processes and subsequent product launches.
Impact	Increased cost-consciousness of payers and patients could increase pricing pressures on LEO Pharma's existing products, lead to more challenging negotiations for reimbursement of future products as well as affect the volume of products used. Currently, inflation affects the prices of raw materials used in LEO Pharma's products, thereby increasing the overall production costs and negatively impacting profitability. Likewise, implementation of trade barriers could impact the cost of LEO Pharma's products and reduce competitiveness and access to our products.	Being targeted by a cyber-attack can result in significant business disruption, financial losses and fines imposed by authorities. This can have a negative impact on expected sales and profits and limit patients' access to LEO Pharma's products.	Delays in marketing authorization or non-approval of a new product can have a negative impact on expected sales and profits and also limit or delay patients' access to new innovative treatments.
Mitigating actions	LEO Pharma monitors macroeconomic and geopolitical developments and works closely with payers and other stakeholders to demonstrate the value of our products. Various strategies are being deployed to contain increases in production costs and other costs. Furthermore, on an ongoing basis, LEO Pharma prepares geopolitical risk scenarios to address short- and long-term exposures and incorporates any considerations into the strategy planning process.	LEO Pharma has implemented several mitigating measures to manage exposure from cyber security threats, including, but not limited to, conducting information security awareness training as well as improving our technical capabilities to prevent, detect and respond to attempted attacks.	LEO Pharma works closely with regulatory authorities to be able to promptly respond to their requests.

Key operational risks

Key risks	4 Market access and pricing pressure	5 Supply disruption and financial commitments	6 Legal and compliance
Risk area	Achieving an acceptable pricing and reimbursement level for our products is essential to our ability to launch new innovative treatments and commercialize our existing portfolio. This depends on various factors, such as competition, discount demands from private and public payers, and negotiations with national health authorities. Meanwhile, healthcare budgets in many countries are under tremendous pressure, which has translated into health authorities and payers seeking more aggressive price concessions from drug manufacturers.	LEO Pharma's manufacturing lines are unique. This leads to limited flexibility to move products between manufacturing lines, and in turn an increased vulnerability to disruptions in supply caused by natural disasters or other adverse events. Meanwhile, ongoing global supply chain challenges put further pressure on our manufacturing operations. For certain products, LEO Pharma relies on contract manufacturing organizations (CMOs), which increases the risk of exposure to product supply shortages, quality issues and financial commitments in relation to minimum ordering of products for a certain period.	Maintaining compliance with laws and regulations, our Code of Conduct and industry codes is critical for safeguarding LEO Pharma's reputation and operational effectiveness. Ensuring thorough due diligence throughout our value chain and staying up to date with legal and regulatory changes are essential for mitigating these risks.
Impact	Not achieving acceptable reimbursement and pricing levels would limit LEO Pharma's ability to launch and commercialize our products. This could have a negative impact on expected sales and the possibility for patients to benefit from new innovative treatments.	Supply disruptions could lead to LEO Pharma's products being out of stock in certain markets. This would in turn affect LEO Pharma's ability to serve our patients as well as lead to lost sales and reputational damage. Financial commitments in terms of minimum ordering can impact LEO Pharma's operating financial result.	Potential exposure to investigations, criminal and civil sanctions and other penalties could compromise LEO Pharma's reputation and the rights and integrity of the individuals involved. Furthermore, unexpected legal disputes, loss of exclusivity for existing and pipeline products, or injunctions against our products could adversely impact future sales. Non-compliance could lead to significant financial penalties, adversely affecting our profits and market position and our ability to serve patients.
Mitigating actions	LEO Pharma closely monitors market access and pricing developments and requirements in key markets, while working actively with payers, advocacy groups and authorities to sufficiently document the value of our products (e.g., through clinical trial data and pharmaconomic studies).	Strategies for increased internal capability or external sourcing are continuously evaluated and include monitoring as well as upgrading manufacturing lines. Furthermore, safety stock is kept to compensate for a potential breakdown. Contracts are reviewed continuously to monitor potential breaches of minimum ordering clauses with CMOs.	LEO Pharma has implemented several measures to mitigate legal and compliance risks. All employees, meaning both full-time and part-time employees, are trained in our Code of Conduct to ensure awareness and adherence to legal and regulatory requirements. Legal reviews of key activities are conducted to prevent potential violations. A Speak-Up Line is in place, available to both employees and externals, to allow reporting of any concerns or unethical behavior anonymously. Robust policies and procedures have been established to ensure due diligence throughout our value chain.

05. Sustainability statement

The sustainability statement outlines how LEO Pharma is committed to leaving a legacy the next generations will be proud of, by advancing the standard of care, developing people and attracting diverse talent, and driving responsible impact.

General information

In preparation for the Corporate Sustainability Reporting Directive (CSRD), which will be mandatory for LEO Pharma from 2025, the sustainability statement is inspired by the European Sustainability Reporting Standards (ESRS) structure and presents the high-level results of our first CSRD-aligned double materiality assessment (DMA).

ESRS 2

General disclosures

In 2024, LEO Pharma conducted its first CSRD-aligned DMA to determine the scope of reporting and list of material topics within sustainability and ESG to ensure full alignment with the ESRS in the sustainability statement published in 2026, reflecting results for the financial year 2025.

Basis for preparation

LEO Pharma's sustainability statement follows a CSRD-inspired structure and includes an introduction to the topics deemed material in the DMA. The DMA was conducted to better understand the impact of LEO Pharma's value chain activities, business relationships and key affected stakeholders. As part of this, an analysis of upstream and downstream activities supports the basis for the sustainability statement. Moreover, LEO Pharma is currently working on integrating medium- and long-term time horizons into the DMA in alignment with ESRS requirements.

Reporting period and scope

The sustainability statement covers the period from January 1, 2024 to December 31, 2024 and has been prepared on a consolidated basis, aligned with our 2024 financial statements. Critical or material events occurring on or after January 1, 2025 and up until the publication date are also covered in this report.

The data presented in this report follows our internal data reporting procedures to ensure data validation. Various business units submit monthly or annual data related to ESG metrics. This data is internally collected and reviewed before being consolidated at global level. Data related to employee safety, energy, waste and water covers LEO Pharma's manufacturing sites in Ballerup and Esbjerg in Denmark, Dublin and Cork in Ireland, Segrate in Italy and Vernouillet in France. LEO Pharma's headquarters are located at the manufacturing site in Ballerup, Denmark. Reported energy and water data from sites is based on meter readings and/or supplier invoices. Car fleet data covers all LEO Pharma vehicles worldwide. People data covers all LEO Pharma employees worldwide. To calculate our Scope 3 emissions, we use activity- and spend-based data.

> **"Through our preparations to fully comply with the CSRD from next year, we're not only enhancing transparency and accountability, but also strengthening investor confidence and stakeholder trust, driving long-term value creation and mitigating risks."**
>
> **Philip Eickhoff**
> Chief Financial Officer

Restatement of data from prior years

The methodology for total energy consumption has been updated, and data has been restated due to the inclusion of car fleet energy data. Furthermore, total water consumption for 2023 has been adjusted to reflect updated meter readings.

ESRS 2

Double materiality assessment

TO PREPARE FOR LEO Pharma's first mandatory ESRS-aligned sustainability statement for the financial year 2025, LEO Pharma conducted its first DMA in line with the ESRS. The DMA identifies the sustainability topics most material to LEO Pharma and provides us with a better understanding of those topics by considering both the impacts from LEO Pharma's operations on people, the environment and society, and the risk and opportunities to LEO Pharma arising from those topics. The outcome of the DMA defines the scope of reporting and guides the continued strategy alignment, to ensure that LEO Pharma focuses on the areas with the most significant positive impact, while mitigating material negative impacts and potential risks to our long-term strategic objectives and commitment to responsible business practices.

The DMA consists of three phases: an understanding phase, an identification phase and an assessment phase. After each phase, the outcome was presented to the ESG Project Group for validation.

Understanding value chain activities and relationships

The first phases involved a comprehensive analysis of LEO Pharma's business model to understand how we create, deliver and capture value in society. For an illustration of LEO Pharma's business model, see page 8. The analysis mapped the key components of LEO Pharma's value chain, including business segments, activities, key partners, resources and geographical footprint, while considering the external circumstances and market conditions.

The understanding phase also identified the stakeholders to engage during the DMA, including employees, suppliers, customers, society and investors. To ensure representation of both internal and external stakeholders, proxies were used to represent certain groups of stakeholders, for example patients, payers and suppliers. The first phase was built on interviews, workshops and desktop research, and was supported by external consultants to ensure compliance.

Identifying impacts, risks and opportunities (IROs)

The second phase involved gathering information about relevant IROs throughout LEO Pharma's value chain. The result was a list of actual and potential impacts, negative and positive, that LEO Pharma has on society and the environment, as well as risks and opportunities that can reasonably be expected to affect our financial position, performance, cash flows, access to finance or cost of capital.

The identification phase was conducted through engagement with stakeholders and involved desk research such as reviewing industry trends, peer reviews and analytical research on sustainability matters.

Assessing the level of materiality

The third phase involved assessing the identified IROs, to determine the materiality level of each one. The assessment and corresponding results form the basis for determining the material information related to the disclosure requirements of the topical ESRS standards. For impact materiality, LEO Pharma used the predefined scoring criteria and scales from ESRS 1, assessing impacts based firstly on severity as a result of scale, scope and irremediability and, secondly, on likelihood. For financial materiality, likelihood and potential magnitude of financial effects on performance, financial position, cash flows and cost of capital were assessed.

To further integrate sustainability and ESG into key business processes and ensure consistency in our risk management work, we have aligned the thresholds of the existing Enterprise Risk Management program with the financial materiality assessment part of the DMA.

Management validation

The DMA was conducted by an internal cross-functional team, with support from external advisors. To ensure cross-functional alignment, a group of senior leaders from across the business was identified as an ESG Project Group and acted as a steering committee, guiding and validating the process. The GLT and the AC were involved throughout the process of understanding, identifying and assessing the topics material to LEO Pharma, in order to provide oversight and recommendations. The DMA was approved by the Board of Directors.

In accordance with the CSRD, LEO Pharma will review the DMA in 2025.

Material topics

Environmental
ESRS E1 Climate Change
ESRS E2 Pollution
ESRS E3 Water and Marine Resources
ESRS E5 Circular Economy

Social
ESRS S1 Own Workforce
ESRS S2 Workers in the Value Chain
ESRS S4 Consumers and End-Users

Governance
ESRS G1 Business Conduct

In 2025, LEO Pharma will revisit the DMA and establish the necessary processes and tools to ensure compliance with the CSRD for the financial year 2025.

ESRS E4 Biodiversity and ESRS S3 Affected Communities were not deemed material throughout the process.

Due diligence and sustainability reporting risk management

LEO Pharma is committed to protecting human rights, as defined by the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. As countries globally enact legislation mandating human rights due diligence for companies, LEO Pharma will continue to review and implement necessary processes into governance, strategy and the overall business model. We do that to ensure that the core elements of due diligence in relation to impacts on people and the environment are upheld and mitigate the risk of non-compliance linked to due diligence processes.

LEO Pharma engages with affected stakeholders through proxies such as healthcare authorities, civil society organizations and policymakers to advance the standard of care and ensure the protection of human rights.

LEO Pharma's latest human rights risk assessment allows us to identify areas within our business where potential adverse impacts should be addressed in order for LEO Pharma to take action, address the adverse impacts and track the effectiveness of these efforts.

To prepare for a full limited assurance of the sustainability statement for the financial year 2025, 18 quantitative data points have been selected for limited assurance by LEO Pharma's independent auditor. Additional mitigation strategies include aligning LEO Pharma's carbon reduction targets with the SBTi and internationally recognized occupational health and safety systems. Furthermore, individual accounting policies and a dedicated data system with input and validation steps to collect ESG data exist as mitigating processes, to ensure a high level of integrity of the data presented. Quarterly reporting of ESG data is presented to the extended leadership team to ensure momentum toward established targets. A clear governance structure further enhances accountability and ensures alignment between our governing bodies. For a full overview of our sustainability governance, see page 56.

Ahead of the first full CSRD-compliant report for the financial year 2025, LEO Pharma will further strengthen internal control processes to ensure the integrity of the data and the accuracy of estimated results, develop accounting policies for all sustainability information in line with the ESRS requirements, as well as ensure the timing of the availability of the information.

Environmental information

LEO Pharma is committed to becoming net-zero by 2050, with an emission reduction of more than 50% by 2030. Recognizing our responsibility to minimize negative environmental impacts and contribute to a more sustainable future, we are working on a transition plan in line with the Science Based Targets initiative.

ESRS E1

Climate change

LEO Pharma has committed to achieving net-zero emissions by 2050. To support this goal, we are actively working on setting a target and developing a transition plan, with the aim of having both in place by 2026. The commitment has been validated by the Science Based Targets initiative (SBTi). This endorsement ensures that our efforts are scientifically grounded and aligned with the global climate target of limiting global warming to 1.5°C, as outlined in the Paris Agreement.

On track toward 2030

Carbon emissions from our manufacturing processes and car fleet are material risks for our business. To mitigate these, we are committed to reducing our Scope 1 and 2 carbon emissions by more than 50% by 2030. This target covers all global assets under our operational control, addressing emissions from company vehicles and energy use. In 2024, we achieved a 42.4% reduction, marking significant progress toward our goal. Our emissions decreased due to investments in renewable energy, energy-saving projects and electrifying our global car fleet.

Looking toward 2050

Sustainability extends beyond our own operations to the entire value chain. We are advancing our sustainability efforts through a Scope 3 supplier engagement target to address emissions in our value chain. Our goal is for 75% of our suppliers by emissions to commit to setting climate targets by 2026[1]. By the end of 2024, 81% of our suppliers had committed to reducing their carbon emissions. In the coming years, we will continue to engage with our suppliers, to ensure that our 2026 target is upheld.

[1] Categories 1, 2 and 4.

Strategic ambition	Δ2024	Progress toward target	Target	Year
Scope 1 and 2	3%-points	42%	>50%	2030*
Scope 3 supplier engagement	-2%-points	81%	75%	2026

* 2019 baseline.

On track toward 2030

Empowered by renewables

In 2024, LEO Pharma reached a significant milestone by transitioning to 100% renewable electricity across all manufacturing sites, moving us closer to our 2030 target. In March, our Vernouillet site joined Dublin, Cork, Esbjerg, Ballerup and Segrate in fully adopting renewable power. Additionally, the solar panels installed at our facilities in Ballerup and Cork produced a total of 231 MWh of clean, renewable energy in 2024. We are continuing to reduce our environmental impact through resource efficiency and ongoing energy performance improvements, driven by ISO 50001 certifications at all sites except Vernouillet, and all our sites are certified under ISO 14001. We have also begun preparations for a power purchase agreement (PPA) at our Ballerup site as a pilot for broader implementation.

Local effort, global impact

Although LEO Pharma sources all electricity from renewables, conserving energy and optimizing resource use remain our priority for sustainable and efficient operations. Across our Cork, Dublin and Segrate sites, energy-saving initiatives have generated results in both electricity and natural gas use. In Cork, the transition to a water-cooled chiller reduced electricity consumption by 260 MWh annually, while upgrades to natural gas boiler controls achieved up to 80% natural gas savings in the first two months. In Dublin, heating, ventilation and air conditioning (HVAC) improvements and compressed air repairs saved an additional 150 MWh in electricity, while enhancements to our combined heat and power system are projected to conserve 1,375 MWh of natural gas per year. Segrate's switch to LED lighting, advanced HVAC controls, high-efficiency motors and upgraded HVAC units saved a further 498 MWh in electricity. Together, these initiatives deliver an annual reduction of approximately 2.3 GWh, which is comparable to the annual average energy needs of about 620 European households.

Energy consumption and mix

Metric[1]	Unit	2024	2023
Coal and coal products	MWh	9	20
Crude oil and petroleum products	MWh	19,732	23,135
Natural gas	MWh	87,244	87,174
Fuel consumption from other fossil sources	MWh	0	7
Purchased or acquired electricity, heat, steam and cooling from fossil sources	MWh	5,517	7,182
Total energy consumption from fossil fuels	**MWh**	**112,502**	**117,518**
Share of fossil sources in total energy consumption	**%**	**70**	**70**
Total energy consumption from nuclear sources	**MWh**	**634**	**7,182**
Share of nuclear sources in total energy consumption	**%**	**0**	**4**
Renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen etc.)	MWh	288	312
Purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	47,932	43,170
Self-generated non-fuel renewable energy	MWh	231	191
Total consumption from renewable sources	**MWh**	**48,450**	**43,673**
Share of renewable sources in total energy consumption	**%**	**30**	**26**
Total energy consumption ☑	**MWh**	**161,587**	**168,373**
Share of renewable electricity	%	98	91
Energy intensity (based on revenue)[2] ☑	MWh/DKK million	12.98	14.78

[1] Values restated to include car fleet.

[2] From activities in high climate impact sector. We operate in the high climate impact sector C21 – "Manufacture of basic pharmaceutical products and pharmaceutical preparations."
Net revenue figure taken from Note 2 to the financial statements.

☑ Limited assurance is provided.

Accelerating the shift

In 2023, we initiated the first phase of our new car policy implementation, aimed at advancing the electrification of our fleet, which in 2024 contributed 20% of our Scope 1 and 2 emissions.

Building on this progress, the first half of 2024 marked the beginning of the second phase, where we introduced a Battery Electric Vehicle (BEV) only policy across nine additional European markets. With these additions, the policy now spans 11 countries, covering 36% of our total fleet. Within the first six months of the expanded implementation, we observed an increase in the electric vehicle (EV) share of our fleet to 17%.

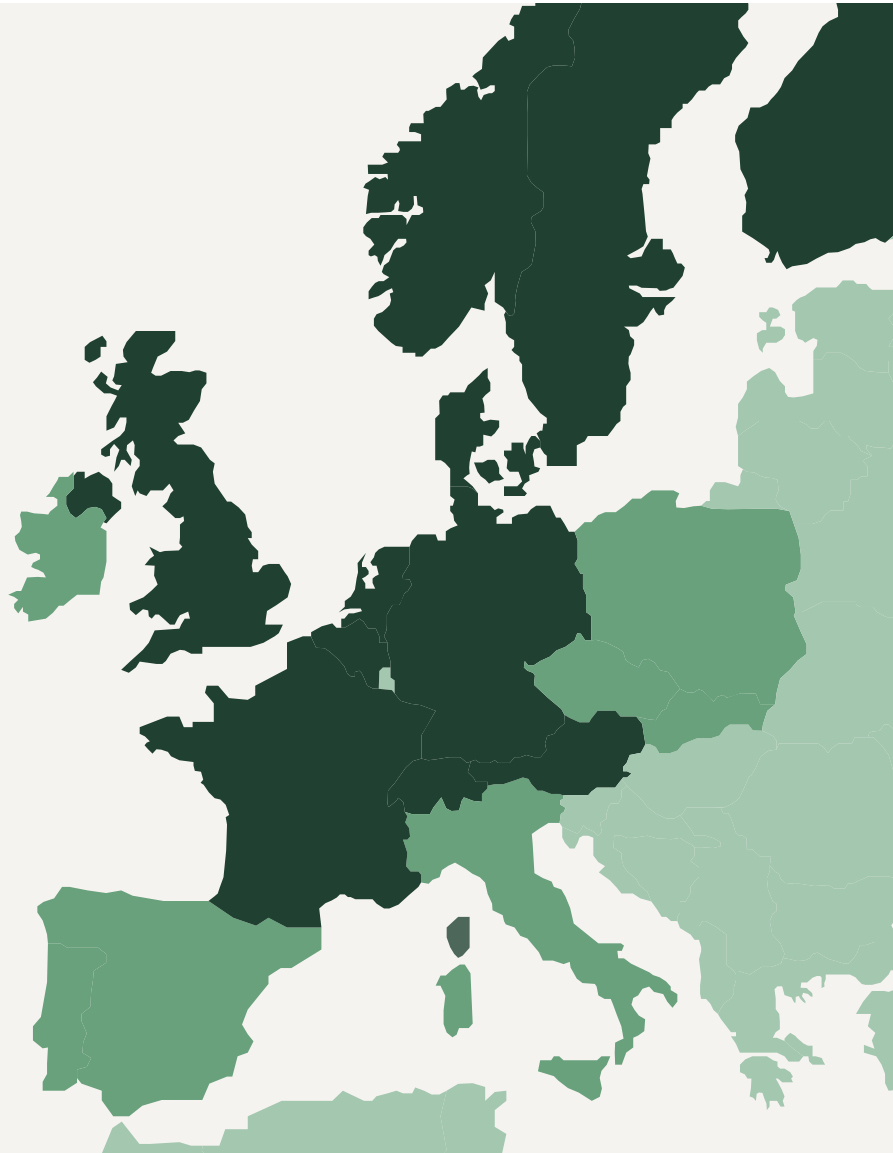
Looking forward, we are preparing for the next phase of the initiative, aiming to expand our electrification policies to further countries across Europe and globally, contingent on each market's EV readiness. Our goal is to achieve 50% fleet coverage under the new policies by 2026, reflecting our commitment to reducing operational emissions and accelerating our path toward sustainability.

17%

share of EVs in our car fleet

14%

reduction in emissions from the car fleet compared to last year



→
Electrifying the car fleet.
The countries marked in dark green introduced a new car policy in 2024, requiring all new cars ordered for employees in these regions to be BEVs. We began with countries that have the highest EV readiness index and will continue to roll out this policy in other countries over time.

Looking toward 2050

Committing to net-zero

In 2024, LEO Pharma solidified its commitment to a more sustainable future by pledging to achieve net-zero emissions by 2050. This ambitious goal extends beyond our own operations, encompassing the entire value chain. To realize this vision, we will develop a comprehensive transition plan outlining the specific actions and milestones that will guide our journey toward a carbon-neutral future. By prioritizing sustainability and innovation, we aim to leave a legacy the next generations will be proud of.

Engaging with suppliers

Continuing our engagement with suppliers, we are also advancing our sustainability efforts through a Scope 3 supplier engagement target to address indirect emissions in our value chain. Our goal is to have 75% of our suppliers by emissions commit to setting climate targets by 2026, focusing on our most material Scope 3 categories: category 1. Purchased goods and services; category 2. Capital goods; and category 4. Upstream transportation and distribution, as these categories account for 92.7% of our Scope 3 emissions. We have already made significant progress toward solidifying our Scope 3 engagement target and are continuing our focus to ensure we maintain a high level of engagement by our suppliers. This initiative, aligned with the Greenhouse Gas (GHG) Protocol and SBTi, supports our net-zero commitment by 2050, fostering collaboration to reduce environmental impacts and enhance our climate goals in our value chain.

Transitioning from sky to sea

An example of our commitment to reducing Scope 3 emissions is our transition from air to ocean freight for the overseas transportation of our products. This shift supports our commitment to achieve net-zero emissions by 2050, as ocean freight emits significantly less CO_2 per tonne per kilometer than air freight. In 2024, this initiative resulted in a 35% decrease in GHG intensity in our downstream overseas transportation compared to our 2021 baseline, underscoring the effectiveness of our sustainability efforts. Moving forward, we remain dedicated to minimizing our environmental impact across our entire value chain.

Gross Scope 1, 2, 3 and total GHG emissions

Metric	Unit	2024	2023	2022	2021	2020
Total Scope 1 and 2 (market-based) emissions ☑	tCO_2e	22,316	23,555	24,309	23,144	31,130
Scope 1 GHG emissions ☑	tCO_2e	20,050	22,851	23,524	22,516	24,471
Scope 2 GHG emissions (market-based) ☑	tCO_2e	266	704	785	629	6,659
Scope 2 GHG emissions (location-based) ☑	tCO_2e	5,869	8,472	7,954	8,641	9,869
Scope 3 GHG emissions[1]	tCO_2e	288,876	288,558	333,019	-	354,010
Scope 3 supplier engagement ☑	%	81	83	66	65	-
GHG emissions intensity	Tonnes/DKKm	1.80	2.07	2.12	2.32	3.07

[1] Categories 1, 2 and 4.

☑ Limited assurance is provided.

Total CO_2e (Scope 1 and 2, market-based)

22,316 tonnes

Total CO_2e (Scope 3)

288,876 tonnes

ESRS E2, E3, E5

Pollution, water and waste

Defining our impacts

Pollution of air and water, along with pharmaceutical waste, are our key environmental impacts. We are committed to protecting the environment, preventing pollution and promoting the efficient use of energy, materials and water. We strive to minimize our environmental impacts through continuous improvements in our manufacturing processes, a strong focus on recycling and responsible consumption of water. In preparation for the CSRD, we are thoroughly reviewing all actions, policies and targets related to our key environmental priorities, including pollution, water and waste management. Where targets have not yet been set, we are dedicated to enhancing our progress and ensuring alignment with our ambitions.

Thinking ahead

At LEO Pharma, we are dedicated to minimizing our environmental footprint by actively managing the impact of our operations on natural resources. In the planning of new projects, we consider the implications of pollution, water use and waste management. Efficient water use is a priority at the design stage, and we aim to incorporate practices such as water re-use and recirculation wherever feasible. While our operations are not located in water-stressed regions, we remain mindful of our water consumption and are continually exploring solutions to reduce our usage. One such initiative, ongoing in 2024, involved rainwater harvesting. At our Ballerup site, we collected and used more than 10,000 liters of rainwater for irrigation and maintaining outdoor facilities. This resulted in a direct saving of freshwater.

Focus on recycling

We are actively working on integrating sustainability and ESG considerations into all of our decision-making processes, including processes revolving around the development of new products. This may positively reflect our choice of materials in the future. It is also our priority to treat the waste from our manufacturing sites properly and according to waste disposal procedures. In 2024, 90% of our waste was recycled.

Policies and positions

LEO Pharma Sustainability Policy

LEO Pharma Code of Conduct

Energy Commitment

Environment, Climate and Energy Policy

Sustainability Standards for Business Partners

→ For further information, see our website

Water consumption

Metric	Unit	2024	2023	2022	2021	2020
Total water consumption ☑	m^3	339,639	362,526[1]	414,893	384,046	374,600

[1] Restated to reflect updated meter readings.

☑ Limited assurance is provided.

Resource outflows

Metric	Unit	2024	2023	2022	2021	2020
Waste (total)	tonnes	66,099	61,595	103,629	125,489	87,938
Recycling	%	90.22	94.37	97.92	98.87	98.16
Special treatment (incl. chemical waste and biological waste)	%	8.07	2.86	0.62	0.16	0.20
Incineration with energy recovery	%	1.09	2.11	1.01	0.77	0.89
Incineration without energy recovery	%	0.27	0.27	0.16	0.06	0.23
Landfill	%	0.34	0.40	0.28	0.14	0.52

Social information

People are at the heart of what we do as patients, employees and workers in the value chain, and we believe in engaging with them all. A diverse workforce and inclusive environment are key factors for our success, to enhance innovation and performance for both our people and our company.

ESRS S1

Own workforce

People development through inclusion

Our commitment to a fair and equitable workplace is reflected in our commitment to our targets for achieving gender equality at all levels of management and the steady work toward decreasing our gender pay gap. We have made progress on both counts, with the women's share in senior management moving up 4 percentage points since the end of 2023 to 45%, and remaining above our target with the women's share in middle management on 47%. Diversity targets for Executive Management and the Board of Directors are addressed in the Business conduct section.

Diversity Beyond

At LEO Pharma, we work with Diversity Beyond, and 2024 saw the continuation of our people development journey. To investigate the presence of potential roadblocks for the career advancement of women leaders at the company, we hosted a series of diversity, equity and inclusion (DE&I) chats. These chats included 61 managers as well as the GLT and

> **We know that gender equality and fair pay are essential for fostering a positive and productive workplace and integral to embodying our values. By addressing any gaps, we aim to boost morale, enhance job satisfaction and create an environment where everyone has the opportunity to thrive."**

Michael Meyer
Vice President, Global People

Strategic ambition	Δ2024	Progress toward target	Target	Year
Gender diversity in senior management	**4%-points**	Women 45% / Men 55%	>45%*	2025
Gender divsersity in middle management	**-3%-points**	Women 47% / Men 53%	>45%*	2025

* This means that we want a minimum of 45% women and 45% men at all managerial levels, leaving 10% flexibility for all gender identities.

led to several concrete action points which we were able to take immediate action on, including setting up mandatory DE&I training for all people leaders at LEO Pharma. Our efforts to limit the influence of unconscious bias on our business practices were supported by the further integration of bias blockers into key processes and systems.

We recognize that diversity encompasses more than gender, and therefore we have started to measure the diversity of our teams in terms of nationality, gender and age, to ensure that we foster an inclusive work environment on all fronts. More about team diversity can be found under Uniting as one team. To support all our employees in terms of feeling safe and supported at work, we set up a series of inclusive language workshops, where we guided participants through a series of inclusive language "swaps," sharing the most inclusive forms of language to use on the topics of gender, age, disability, sexual orientation and pronouns, guided by conventions from the United Nations (UN), Employers Network for Equality and Inclusion (ENEI) and Business Disability Forum (BDF).

Employee feedback

In order to give our employees a means of providing us with feedback on their experience of working at LEO Pharma, we have several effective tools at our disposal, one of which is our annual Employee Engagement Survey - LEO Voice. Our yearly survey allows us to gather feedback on our employees' satisfaction and engagement levels, giving us invaluable insights to ensure that LEO Pharma remains an attractive place to work. In 2024, the survey saw a response rate of 81% across the company. The survey indicated a need for more sustainability knowledge. We have set up a sustainability network starting in 2025 to engage colleagues and raise awareness on ESG issues.

Employee diversity metrics

Metric	Unit	2024	2023	2022	2021	2020
Gender diversity in Executive Management[1] ☑	headcount male/female	8/2	6/2	7/1	4/4	5/5
	% male/female	80/20	75/25	87.5/12.5	50/50	50/50
Gender diversity in senior management ☑	% male/female	55/45	59/41	60/40	66/34	67/33
Gender diversity in middle management ☑	% male/female	53/47	50/50	51/49	52/48	53/47
Gender diversity – all managers	% male/female	54/46	52/48	54/46	55/45	56/44
Joiners by gender	% male/female	42/58	42/58	45/55	42/58	-
Internal promotion by gender	% male/female	7.0/7.6	7.2/7.6	6.7/8.3	7.1/7.2	-

[1] We consider Executive Management as top management under S1-9 Diversity metrics.

☑ Limited assurance is provided.

Employees by gender

Metric	Unit	2024	2023	2022
Male ☑	headcount	1,769	1,850	2,100
Female ☑	headcount	2,289	2,440	2,736
Total number of employees[2]	headcount	**4,058**	**4,290**	**4,836**

Employee characteristics

Metric	Unit	2024	2023	2022	2021	2020
Average number of employees[2] ☑	headcount	4,184	4,490	5,252	5,804	5,955
Turnover	headcount	758	1,138	1,511	-	-
Employee turnover rate ☑	%	18	26	29	20	14
Voluntary turnover rate	%	9.9	13.2	16.2	-	-

[2] Reference to Glossary, page 145.

☑ Limited assurance is provided.

Health and safety of our employees

Safety first

Our Environment, Health & Safety (EHS) department focuses on the protection of our employees, minimizing the impact we have on the environment and ensuring our license to operate. We are steadfast in our efforts to eliminate safety risks in our operations, constantly striving to prevent any injuries or fatalities.

To minimize these risks, all our manufacturing sites hold ISO 45001 certificates for health and safety. We use the results of regular surveys on the work environment to define activities to improve the health, safety and engagement of our employees.

One of the focus areas of the EHS team is to bring down the number of global lost-time injuries (LTIs). In 2024, we saw an increase in the number of lost days compared to 2023, which went up to 320 days.

Fostering an inclusive workplace

At LEO Pharma, employee health and safety are top priorities. We aim to provide safe, healthy working conditions and foster an inclusive culture of respect and equity, ensuring a professional and emotionally safe environment for all to thrive and be productive.

Therefore, we are committed to preventing violence and harassment at work. This year, we released a new global policy on anti-harassment and bullying, as well as re-issuing our Code of Conduct to include updated and expanded human rights and anti-bullying and harassment clauses. We also introduced a new responsible alcohol consumption policy for work-related events, to ensure enhanced safety and well-being for all our employees. We believe every employee has the right to fair treatment and we wholly support our employees' freedom of association, as well as their right to engage in collective bargaining. To address harassment risks, we plan to roll out mandatory anti-harassment training in 2025.

Remuneration metrics

Metric	Unit	2024	2023
Adjusted gender pay gap	%	1.8	1.8

Workplace accidents with lost time/days

Metric	Unit	2024	2023	2022	2021	2020
Lost-time injury (LTI) rate	LTI rate	2.2	2.5	1.9	1.7	1.9
Number of lost days	days	320	149	392	436	448

Workforce by age

Metric	Unit	2024	2023	2022
Age 0-30	%	269	337	379
Age 30-50	%	2,167	2,434	2,809
Age 50+	%	1,622	1,519	1,648

The age distribution of our workforce remained stable compared to 2023.

Employees by contract type (headcount)

		2024	2023	2022
Total number of employees	Female	2,289	2,440	2,736
	Male	1,769	1,850	2,100
Number of permanent employees	Female	2,104	2,255	2,522
	Male	1,681	1,739	1,974
Number of temporary employees	Female	185	185	214
	Male	88	111	126
Number of part-time employees	Female	190	189	214
	Male	48	40	63
Number of full-time employees	Female	2,099	2,251	2,522
	Male	1,721	1,810	2,037

ESRS S2

Workers in the value chain

Our responsibility to our business partners and their workforces

At LEO Pharma, integrity is one of our core values. We acknowledge that our performance is not only measured by the results we achieve, but also by how we achieve them. We know that our responsibility does not stop with our own workforce. We expect our values and practices to reach beyond our own employees and drive their active implementation through our entire network of partners, suppliers, vendors and their employees.

Working with our suppliers

As part of our due diligence process, we aim to know the social and environmental impact of our supply chain, and actively work with our business partners to continuously improve practices. LEO Pharma is a member of the Pharmaceutical Supply Chain Initiative (PSCI), which is an industry initiative that promotes responsible supply chain management. The "Sustainability Standards for LEO Pharma Business Partners" are based on the PSCI Principles for Responsible Supply Chain Management, which set the standard for human rights, ethics, labor, health and safety, environment and related management systems.

Our sustainability standards underline our commitment to the safety and well-being of the people in our supply chain. We require all of our suppliers to ensure a safe and healthy working environment for their employees, including having a proactive approach to safety through risk assessments, regular training, systems for capturing and reducing hazards, and the reporting of accidents.

Integrity of our clinical trials

Conducting safe and effective clinical trials is a top priority for us. We know that failing to do so can have critical consequences, so we are committed to maintaining the highest standards, to ensure the well-being and safety of all people involved.

Our Pharmacovigilance department adheres to all national and international regulations regarding clinical trials and participant safety, and continuously monitors and reports on the detection, assessment, understanding and prevention of adverse effects and any other drug-related problems during the clinical trial phase.

We recognize the importance of diversity in clinical trials and how essential it is for addressing the unmet needs of people around the world. We are deeply committed not just to complying with regulations but also to ensuring that our trials are fair and representative, which helps us bring better products to market and serve more patients.

ESRS S4

Consumers and end-users

Placing our patients and consumers at the heart of our work

Our responsibility to safety and well-being extends to our patients and the end-users of our products. We are committed to protecting their personal information, ensuring their access to treatments and engaging with them to better understand their needs.

Patient and community engagement

LEO Pharma is committed to addressing patients' unmet needs. With more than 100 million patients[1] served this year, we are dedicated to engaging with our patients in order to gain an insight into their pain points throughout the course of their medical care. Collaborating with partners and hospitals helps us address their biggest challenges and improve patient outcomes. To monitor and improve the way we engage with patients, we have spent the past year performing an externally evaluated approach and methodology to assess and validate our maturity level for patient engagement. The assessment measured how we engage with patients across nine standard value chain dimensions: R&D, supply & manufacturing, pricing & IP, marketing & sales, distribution, delivery of care, governance, human rights, and measurement and reporting. In the assessment, 61 indicators allocated to four progressing maturity levels measure performance from base level to driving impact. The assessment was executed among employees with a strategic overview of our value chain, owning the organizational processes relevant for engaging patients.

In 2024, we aspired to a target of achieving base-level maturity in six out of nine dimensions. The 2024 outcome shows that we reached this year's maturity levels and, furthermore, exceeded base-level maturity in two of the dimensions. We will use this approach going forward in maturing our engagement with patients across our value chain.

Having created an evidence-based starting point for our patient engagement efforts at LEO Pharma is an important first step in enhancing patient engagement. By creating a more systematic approach to our patient engagement, we aim to advance the standard of care for even more people with skin conditions.

Community engagement

We are committed to balancing our business performance with the need to serve marginalized groups and populations with unmet health needs. Our commitment to serving these communities is underlined by our global donation program, where we have continued our partnership with International Health Partners (IHP) to donate crucially needed health products to people in crises across the world. In 2024, we donated 25,000 units of medicine to Brazil and Honduras, totaling a value of EUR 534,340.

Safeguarding our patients

To ensure that any concerns around patient health and safety are swiftly and adequately documented and addressed, we maintain several publicly available channels for patients to raise concerns, including public reporting forms for side effects and product complaints, as well as providing patients with access to our publicly available Speak-Up Line. Our Pharmacovigilance department employs strict procedures for the proper and timely handling of all incoming complaints, forms and concerns.

[1] Number of patients served in 2024: 100,053,000..

Limited assurance is provided.

Policies and positions

LEO Pharma Sustainability Policy

LEO Pharma Code of Conduct

LEO Pharma Human Rights Policy

LEO Pharma Diversity & Inclusion Policy

Sustainability Standards for LEO Pharma Business Partners

LEO Pharma Modern Slavery Act Statement

→ For further information, see our website

Governance information

Business ethics are the foundation of our conduct, ensuring trust, transparency and integrity in the way we work. Upholding sound business principles safeguards us from risks and is core to our purpose of advancing the standard of care in medical dermatology.

ESRS G1

Business conduct

At LEO Pharma, our mission to improve the standard of care for people living with skin diseases thrives on the trust we earn from patients, physicians and communities around us. This trust is anchored in our unwavering commitment to integrity and transparency, guided by our Code of Conduct.

Business conduct and corporate culture

In 2024, we updated our Code of Conduct to reflect LEO Pharma's ongoing commitment to upholding an integrity-based and inclusive culture. These updates further strengthen our policies through alignment with our core values and incorporate changes from recent reorganizations. They include updates to our anti-harassment principles, patient safety and GxP quality standards, our Speak-Up Line and information security policies.

Data ethics

When it comes to data ethics, LEO Pharma is committed to mitigating adverse risks while maximizing the advantages of ethical data utilization. Ethical handling of data is a cornerstone of good business conduct and crucial to minimizing the potential risk that unethical data practices can inflict upon individuals and communities, damaging the trust we have cultivated with our stakeholders. Our approach to data ethics is guided by a robust policy framework based on key principles such as accountability, autonomy, transparency, data quality, fairness, non-discrimination, ethics by design, responsible data sharing and data security.

We are aware of the risks posed by cyber-attacks and are dedicated to safeguarding patient health information and customer data from breaches and identity theft, which can undermine patient rights. We believe it is everyone's responsibility at LEO Pharma to help protect the company from successful cyber-attacks. Throughout the year, we took steps to enhance awareness and cyber security across the organization, conducted mandatory and recurring compliance and cyber security training for all our employees, and activated e-mail phishing drills and cyber safety campaigns to reinforce LEO Pharma's commitment to responsible and secure data utilization.

Strategic ambition	Δ2024	Progress toward target	Target	Year
Employees completing Code of Conduct training	0%-points	99% (0% – 100%)	>97%	Each year

Governance framework

The Board of Directors has empowered the Global Leadership Team (GLT) to oversee LEO Pharma's sustainability performance and drive strategic development. Shared GLT ownership ensures cross-functional integration and a strategic approach to sustainability throughout the organization, with individual GLT members acting as program sponsors. The Compliance Committee, led by the CFO, ensures LEO Pharma's integrity and compliance, approves non-GXP policies, and decides on waivers and changes.

LEO Pharma integrates sustainability into its business strategy, reflecting this commitment in incentive schemes for its administrative, management and supervisory bodies. Key characteristics include performance assessments against sustainability-related targets, including reducing carbon emissions and enhancing diversity, equity and inclusion (DE&I). All employees are covered by some form of variable pay scheme. The Remuneration and Nomination Committee oversees and approves the terms of these incentive schemes, ensuring regular updates to reflect evolving sustainability targets.

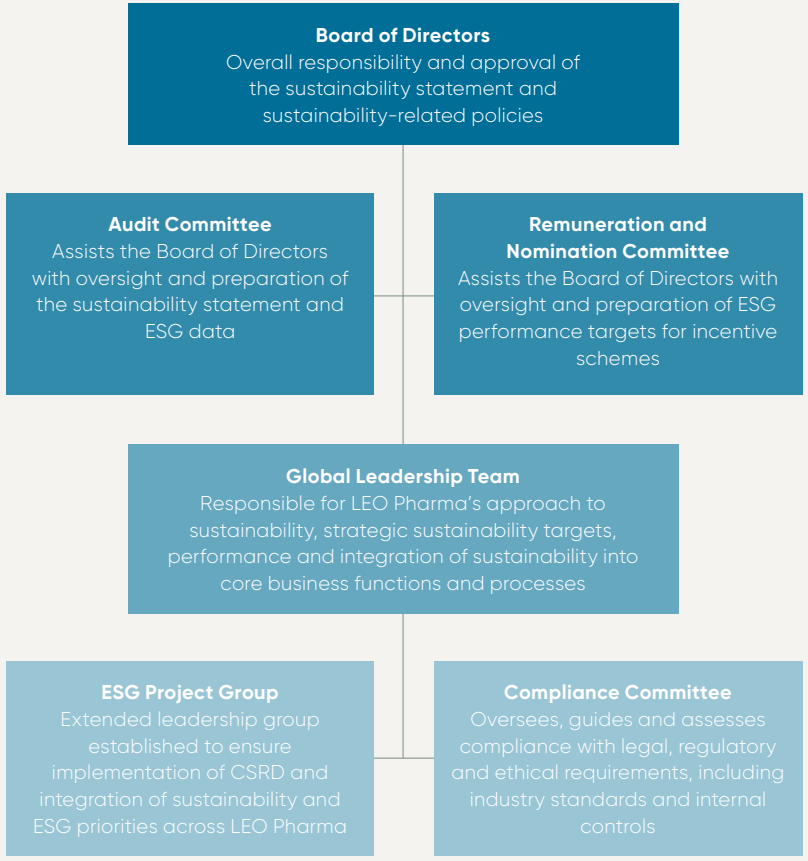
Gender diversity in the Board of Directors

We have committed to diligently working toward increasing gender diversity in our Board of Directors and Executive Management. All candidate searches continuously involve short-listing of the underrepresented gender as a first step toward eliminating candidates' obstacles that can hinder the achievement of balanced gender representation.

Gender diversity in management

	Status 2024	Target	Target year
Board of Directors	Number of shareholder-elected members: 6 % of the underrepresented gender: 17	37.5%	2027
Executive Management	Number of members: 10 % of the underrepresented gender: 20	37.5%	2027

Governance structure



Protection of whistleblowers and detection of corruption and bribery

At LEO Pharma, all employees, meaning both full-time and part-time employees, with the exception of production employees, receive annual mandatory anti-corruption training to uphold our commitment to integrity and ensure compliance with applicable anti-corruption laws, regulations and international standards. To support this commitment and to safeguard the company, our anti-corruption policy requires that we never act in a dishonest manner or engage directly or indirectly in bribery, fraud or any other corrupt act with the aim of securing an improper advantage that we would not otherwise have. The anti-corruption training serves to equip employees with relevant information about the key principles, rules and requirements that must be complied with to live up to our integrity commitment and adhere to legal regulations. To ensure our commitment to integrity, we will continue to develop our anti-bribery and anti-corruption framework, including updating training and awareness as well as strengthening policies and procedures.

As a pharmaceutical company committed to serving our patients, fostering a culture of speaking up is paramount in maintaining ethical practices, acting with integrity, and holding ourselves and each other accountable to our values. It is important that all employees and stakeholders speak up about any concerns related to misconduct or wrongdoing that they may come across. The Speak-Up Line is available to all our employees and external stakeholders to anonymously report any concerns, violations or unethical practices they might witness or experience, and covers several scenarios and situations, including but not limited to: suspected violations of laws or regulations, serious environmental concerns, competition law, conflict of interest and violations of LEO Pharma policies and procedures, including the Code of Conduct. All reported concerns within the scope of the Speak-Up Line are presented to an Investigation Group consisting of members designated to handle all such reports on our behalf in an independent and autonomous manner. We protect the identity of people using the Speak-Up Line in accordance with applicable law.

Animal welfare

Animal experimentation plays an important part in research and drug development, when assessing the efficacy and safety of a new drug candidate. We aim to ethically balance benefits to patients against harm to animals used in research, and we deploy a science-based approach while ensuring compliance with high animal welfare standards.

As a signatory to the Marseille Declaration since 2022, we have decided that, regardless of where in the world the use of animals for experimental work is taking place, we follow the standards defined by Danish legislation and the EU Directive on the Protection of Animals Used for Scientific Purposes.

Business conduct

Metric	Unit	2024	2023	2022	2021	2020
Gender diversity – Board of Directors ☑	%	17	13	13	13	29
Employees completing global annual Code of Conduct training ☑	%	99	99	97	96	-
Employees completing global annual anti-corruption and bribery (ABAC) training ☑	%	99	-	-	-	-
Third-party intermediaries undergoing anti-corruption due diligence	no.	26	40	37	-	-
Number of social and/or EHS supplier audits	no.	0	1	3	5	0

☑ Limited assurance is provided.

Policies and positions

Code of Conduct

AI Ethical Principles

Animal Welfare Policy

→ For further information, see our website

Appendix

Accounting policies

ENVIRONMENT INDICATORS

Note: All our CO_2e calculations follow the GHG Protocol (2015) corporate standard and include all seven GHG gases: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3.

Total Scope 1 and 2 (market-based) emissions
Calculated by the sum of Scope 1 and Scope 2 emissions, using the reported market-based Scope 2 emissions. See accounting policies for CO_2e Scope 1 and 2. All our CO_2e are measured in tonnes.

Scope 1 emissions
Scope 1 emissions comprise direct CO_2e emissions from manufacturing sites, owned offices and the car fleet (internal combustion engine (ICE) vehicles for all employees at owned and leased offices and the company sales force). This includes the consumption of natural gas and fuel used on sites and by company cars. Additionally, it includes CO_2e emissions from production sites due to refrigerant leakage from cooling systems. Emissions are calculated as energy consumption by source multiplied by emission factors from DEFRA (2024), and refrigerant quantities multiplied by their respective global warming potential (GWP).

Scope 2 emissions (market- and location-based)
Scope 2 emissions include indirect GHG emissions from purchased electricity and district heating consumed by LEO Pharma at manufacturing sites and related offices. It also includes the emissions from our electric vehicles. According to our 2022 assessment of leased offices, there is no overall operational control of these sites, and therefore leased offices are not in scope for the calculation. Location-based emissions are calculated as the power volumes purchased multiplied by average country-specific emission factors from the International Energy Agency (IEA), version 2024. Market-based emissions consider renewable power purchased and are calculated by multiplying the power volumes by the most recently available emission factors provided by suppliers. We receive relevant documentation from our suppliers as proof of using renewable electricity in the reporting year.

Scope 3 emissions
Scope 3 emissions are defined in 15 subcategories, which include all other indirect emissions in our value chain. Our Scope 3 reporting includes:

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 4: Upstream transportation and distribution.

Emissions from categories 1, 2 and 4 account for 92.7% of our total Scope 3 emissions based on a 2020 baseline. Data for Scope 3 in 2021 is unavailable, because Scope 3 was not calculated that year.

Scope 3 supplier engagement
Calculated based on Scope 3 emissions from categories 1, 2 and 4, which together account for 92.7% of our total Scope 3 emissions. The key performance indicator (KPI) is derived by dividing emissions from suppliers publicly committed to reducing carbon emissions by total Scope 3 emissions. An internal supplier tracker records and monitors supplier commitments using externally available sources (e.g. SBTi website, company websites, annual reports). Measured as a percentage.

Total energy consumption
Measured as the sum of energy derived from fossil fuels, nuclear and renewable sources. This includes electricity, natural gas, heat and fuels used at our six manufacturing sites, as well as the energy consumed by our vehicle fleet. In line with the GHG calculation, leased offices are not included. For electric vehicle charging, the specific energy mix of the relevant country is applied. Energy consumption from waste incineration is classified under fossil fuels. Data is sourced from meter readings and invoices, and is reported in MWh.

GHG emissions intensity
Calculated using the total Scope 1 and 2 (market-based) emissions in tonnes divided by total revenue in DKK million. Measured in tonnes/DKKm.

Share of renewable electricity
Calculated according to the GHG Protocol Scope 2 guidelines. Measured as a percentage.

Energy intensity
Calculated using the total energy consumption in MWh divided by total revenue in DKK million. Measured in MWh per DKK million.

Total water consumption
Measured as the sum of water consumption at our six manufacturing sites reported throughout the year. Data is based on meter readings

Accounting policies

and invoices. In cases where no supporting document is available, estimation is used. The approach for estimation followed by the sites is to calculate the average daily consumption according to the invoices and multiply this by the number of days of consumption. Measured in m^3.

Waste (total)
Measured as the total waste generated at our manufacturing sites. Measured in tonnes.

Waste by treatment
Waste by treatment covers: 1) Recycling, 2) Special treatment (incl. chemical waste and biological waste), 3) Incineration with energy recovery, 4) Incineration without energy recovery and 5) Landfill. Measured as a percentage.

SOCIAL INDICATORS

Gender diversity in leadership
Gender diversity is calculated using global employee data. We consider Executive Management to be top management. Bands at LEO Pharma are used to describe the high-level grouping of job levels with related responsibilities, skills and requirements. Executive Management is defined as the CEO and direct reports with management responsibilities who are part of the Global Leadership Team. Senior management is defined as all employees (people managers) in bands C and D. Middle management is defined as employees (people managers) in band E and below. We define managers as those with at least one internal direct report and on a management job path. Calculated based on December 31, 2024 numbers. Measured as a percentage.

Employees by gender
Breakdown of total number of employees (headcount) by female and male, the two options reported in our HR system in 2024. As of December 31, 2024.

Joiners by gender
The percentage of female and male joiners is calculated by dividing the number of female and male joiners respectively by the total number of joiners. This includes all employees hired from January 1 to December 31, 2024, and is expressed as a percentage.

Internal promotion rate by gender
The annual promotion rate for women and men is calculated by dividing the number of women and men promoted respectively by the average number of female and male employees. Promotions are defined as moving to a higher job level and are expressed as a percentage.

Workforce by age
Age is calculated as full years. Calculated based on headcount and December 31, 2024 numbers. Measured as a percentage.

Workforce by tenure
Tenure is calculated as full years. Only internal employees are included. Calculated based on December 31, 2024 numbers. Measured as a percentage.

Employees by contract type
The number of employees distributed by contract type is based on headcounts as at December 31, 2024 and includes permanent and temporary, full-time and part-time breakdown. Non-guaranteed hours employees are not relevant for LEO Pharma.

Employee turnover rate
Includes total number of employees who left LEO Pharma in the reporting year voluntarily, due to dismissal or other reasons (retirement, death etc.). The annual turnover rate is calculated by dividing the number of employees leaving in a year by the average headcount during a year. Measured as a percentage.

Employee turnover
Includes total number of employees who left LEO Pharma in the reporting year voluntarily, due to dismissal or other reasons (retirement, death etc.). Measured in headcount.

Voluntary turnover rate
Calculated by dividing the number of employees who left voluntarily during the year by the average number of employees (headcount). Measured as a percentage.

Lost-time injury (LTI) rate
Calculated by dividing the number of global injuries with more than one day's absence from work per 1,000,000 working hours by the total number of working hours based on local standard working hours. Measured as the LTI rate.

Number of lost days
Lost days due to global LTIs are tracked by each of our manufacturing sites. Measured in number of days.

Average number of employees (headcount)
Calculated as rolling 12 months by calculating the headcount for each end of a month during the reporting period. Includes all active employees who are employed by LEO Pharma

Accounting policies

at the end of each month. Excludes externals and employees on garden leave.

Total number of employees (headcount)
Calculated based on headcount as at December 31, 2024. Includes all active employees who are employed by LEO Pharma on this day and excludes externals and employees on garden leave. The metric is used to calculate employees by gender, age and contract type. Employee data is sourced from our global HR system.

Number of patients served in a year
Calculated by dividing the gross sales volume by product in the reporting year by the estimated average dose consumed per patient by product. Only products which are sold under the LEO Pharma brand are included, thus generics (sold to other pharma companies) and products where LEO Pharma acts as a contract manufacturing organization (CMO) are excluded.

The average dose used is calculated internally by using data from clinical trials for new products and by tracking patient surveys and prescriber numbers for existing products. Measured in number of patients.

GOVERNANCE INDICATORS

Gender diversity – Board of Directors
Measured by reviewing the gender representation of shareholder-elected members on LEO Pharma's Board of Directors. Calculated as an average ratio of female to male board members, excluding employee-elected board members.

Employees completing global annual Code of Conduct training
Includes the mandatory Code of Conduct training completed by the set deadline by all employees (full-time and part-time) as part of their onboarding process and the mandatory annual retraining completed by all employees (full-time and part-time) actively working on December 31, 2024. Calculated by dividing the number of employees in scope who completed the training by all employees in scope in the reporting year. Measured as a percentage.

Third-party intermediaries undergoing anti-corruption due diligence
Number of third-party intermediaries undergoing anti-corruption due diligence, covering distributors, wholesalers, licensees and contract sales organizations. Measured in number of intermediaries.

Number of social and/or EHS supplier audits
Annual sum of social and EHS supplier audits performed by LEO Pharma or a contracted auditor. Measured in number of audits.

Employees completing global annual anti-corruption and bribery (ABAC) training
Includes the mandatory ABAC training completed by the set deadline by all employees (full-time and part-time) as part of their onboarding process and the mandatory annual retraining completed by all white-collar employees (full-time and part-time) actively working on December 31, 2024. We consider all white-collar workers (100%) as functions at risk, as they have or might have contact with third parties and, therefore, potentially pose a risk to LEO Pharma. Production workers are excluded from the retraining as they pose a lower risk, and we deem the onboarding sufficient to mitigate this risk. The training is not assigned to the Board of Directors (BoD) as we consider the purpose of the BoD to supervise the Global Leadership Team and to define the strategy. Therefore, the BoD does not act on behalf of LEO Pharma on a day-to-day basis. Calculated by dividing the number of employees in scope who completed the training by all employees in scope in the reporting year. Measured as a percentage.

Percentage of the underrepresented gender on the Board of Directors and in Executive Management
Calculated by dividing the underrepresented gender by the total amount of members on the Board of Directors and in Executive Management. Measured as a percentage.

06. Consolidated financial statements

Income statement

January 1 - December 31

(DKK million)	Note	2024	2023
Revenue	2.1	12,453	11,392
Cost of sales	2.2, 3.2, 4.2	(4,935)	(4,192)
Gross profit		**7,518**	**7,200**
Sales and distribution costs	2.2, 3.1, 3.2	(4,922)	(5,098)
Research and development costs	2.2, 3.1, 3.2	(2,270)	(2,122)
Administrative costs	2.2, 3.1, 3.2, 3.3, 6.1, 6.2, 6.4	(1,482)	(1,720)
Other operating income, net	2.3	13	41
Operating profit/(loss)		**(1,143)**	**(1,699)**
Financial income	5.1	132	47
Financial expenses	5.1	(946)	(1,140)
Profit/(loss) before tax		**(1,957)**	**(2,792)**
Income tax	2.4	181	(815)
Net profit/(loss) for the year		**(1,776)**	**(3,607)**

Statement of comprehensive income

January 1 - December 31

(DKK million)	Note	2024	2023
Net profit/(loss) for the year		(1,776)	(3,607)
Other comprehensive income			
Remeasurement of defined benefit plans	5.6	27	(38)
Tax	2.4	(4)	8
Items that will not be reclassified subsequently to the income statement		**23**	**(30)**
Foreign exchange adjustments, subsidiaries	5.6	(31)	(80)
Fair value adjustment of cash flow hedges	5.6	(127)	(93)
Cash flow hedges reclassified to financial expenses	5.6	5	64
Tax	2.4	27	6
Items that may be reclassified subsequently to the income statement		**(126)**	**(103)**
Total other comprehensive income/(loss) after tax		**(103)**	**(133)**
Total comprehensive income/(loss)		**(1,879)**	**(3,740)**

Balance sheet

at December 31

(DKK million)	Note	2024	2023
Assets			
Intangible assets	3.1	4,942	6,099
Property, plant and equipment	3.2	4,445	4,516
Right-of-use assets	3.3	208	306
Deferred tax assets	2.4	1,482	1,157
Pensions	3.4	206	145
Other financial assets	5.4	194	49
Non-current assets		**11,477**	**12,272**
Inventories	4.2	4,973	4,866
Trade receivables	4.1	2,368	2,142
Tax receivables		553	545
Other receivables		553	910
Cash and cash equivalents		227	216
Current assets		**8,674**	**8,679**
Assets		**20,151**	**20,951**

(DKK million)	Note	2024	2023
Equity and liabilities			
Share capital	5.5	383	383
Reserves		(271)	(183)
Retained earnings		2,592	4,325
Equity		**2,704**	**4,525**
Loans and credit institutions	5.2, 5.4	10,414	10,404
Deferred tax liabilities	2.4	37	30
Pensions	3.4	75	77
Provisions	4.4	307	131
Lease liabilities	3.3, 5.2, 5.4	164	238
Tax payables		65	130
Other non-current liabilities		464	461
Non-current liabilities		**11,526**	**11,471**
Loans and credit institutions	5.2, 5.4	502	265
Trade payables		1,440	1,243
Provisions	4.4	1,164	925
Lease liabilities	3.3, 5.2, 5.4	82	87
Tax payables		112	285
Other payables	4.3	2,621	2,150
Current liabilities		**5,921**	**4,955**
Liabilities		**17,447**	**16,426**
Equity and liabilities		**20,151**	**20,951**

Statement of changes in equity

January 1 - December 31

(DKK million)	Note	2024						2023					
			Reserves						Reserves				
		Share capital	Currency translation	Cash flow hedges	Other capital	Retained earnings	Total	Share capital	Currency translation	Cash flow hedges	Other capital	Retained earnings	Total
Equity at January 1		383	(264)	20	61	4,325	4,525	321	(184)	43	34	1,732	1,946
Comprehensive income for the year													
Net profit/(loss) for the year		-	-	-	-	(1,776)	(1,776)	-	-	-	-	(3,607)	(3,607)
Other comprehensive income/(loss) for the year	5.6	-	(31)	(95)	-	23	(103)	-	(80)	(23)	-	(30)	(133)
Total comprehensive income/(loss) for the year		**-**	**(31)**	**(95)**	**-**	**(1,753)**	**(1,879)**	**-**	**(80)**	**(23)**	**-**	**(3,637)**	**(3,740)**
Transactions with owners													
Capital increase		-	-	-	-	29	29	62	-	-	-	6,238	6,300
Purchase of treasury shares		-	-	-	-	(9)	(9)	-	-	-	-	(8)	(8)
Share-based payment		-	-	-	38	-	38	-	-	-	27	-	27
Total transactions with owners		**-**	**-**	**-**	**38**	**20**	**58**	**62**	**-**	**-**	**27**	**6,230**	**6,319**
Equity at December 31		**383**	**(295)**	**(75)**	**99**	**2,592**	**2,704**	**383**	**(264)**	**20**	**61**	**4,325**	**4,525**

Cash flow statement

January 1 - December 31

(DKK million)	Note	2024	2023
Operating profit/(loss)		(1,143)	(1,699)
Depreciation, amortization and impairment	3.1, 3.2, 3.3	1,742	2,250
Adjustments for non-cash operating items etc.	6.5	319	(48)
Changes in working capital	6.5	474	(509)
Interest etc., received		91	27
Interest etc., paid		(857)	(916)
Income tax paid	2.4	(361)	(1,058)
Cash flow from operating activities		**265**	**(1,953)**
Investments in intangible assets	3.1	(61)	(207)
Investments in property, plant and equipment	3.2	(259)	(349)
Proceeds from sale of property, plant and equipment		3	19
Cash flow from investing activities		**(317)**	**(537)**
Cash flows from operating and investing activities (free cash flow)		**(52)**	**(2,490)**

(DKK million)	Note	2024	2023
Proceeds from loans		1,170	2,750
Repayment of loans	5.2	(1,160)	(750)
Overdraft facilities and other financing etc.		171	(69)
Issuance of loans		(12)	(87)
Proceeds from issue of shares	5.5	29	746
Purchase of treasury shares		(9)	(8)
Repayment of lease liabilities	3.3, 5.2	(110)	(115)
Cash flow from financing activities		**79**	**2,467**
Net cash flow for the period		**27**	**(23)**
Cash and cash equivalents, January 1		216	270
Foreign exchange adjustments		(16)	(31)
Cash and cash equivalents at December 31		**227**	**216**

Notes to the consolidated financial statements

1 Basis of reporting

Note 1.1 Basis of preparation

LEO Pharma A/S is domiciled in Denmark. These consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the 'Group' or 'LEO Pharma').

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) as adopted by the EU, and the additional requirements of the Danish Financial Statements Act for Class C (large) companies. On February 25, 2025 the Board of Directors and Executive Management considered and approved the 2024 Annual Report of LEO Pharma A/S. The Annual Report will be presented to the shareholders of LEO Pharma A/S for approval at the ordinary Annual General Meeting on March 5, 2025.

The consolidated financial statements are presented in Danish kroner (DKK), which is also the functional currency of the Parent Company. The presentation is in million, unless otherwise stated.

Reclassification in prior-year figures
LEO Pharma has updated the assessment of the functional split of costs in the income statement. LEO Pharma's Management believes that these updates improve the comparability of the financial statements and align LEO Pharma's reporting practice with industry standards and best practices. The updated allocation of operational costs among the functions impacts the following line items in the income statement for 2023:

- Cost of sales decreased from DKK 4,281m to DKK 4,192m
- Sales and distribution costs increased from DKK 4,902m to DKK 5,098m
- Research and development costs increased from DKK 1,874m to DKK 2,122m
- Administrative costs decreased from DKK 2,075m to DKK 1,720m

The reassessment has no impact on the operating profit/(loss).

Global market and climate uncertainties
Management continuously assesses the overall geopolitical uncertainties, supply situation and macroeconomic indicators, such as inflation and interest rates, that may impact LEO Pharma's financial performance. Similarly to the 2023 statements, the ongoing global market and climate uncertainties have not significantly impacted LEO Pharma's activities. The company remains vigilant and proactive in monitoring these factors to mitigate potential risks and ensure sustainable growth.

Application of materiality

In the preparation of the consolidated financial statements, LEO Pharma aims to focus on information that is material and relevant to the users of the consolidated financial statements. The consolidated financial statements are the result of aggregating large numbers of transactions into classes of similar items, according to their nature or function. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

Key accounting estimates and judgments

The preparation of the consolidated financial statements requires Management to make assumptions, estimates and judgments that impact the reported assets and liabilities, and affect the application of the accounting policies. Any changes in accounting estimates are applied to the current and future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

Below is an overview of the key estimates and judgments that significantly impact the amounts recognized in the financial statements:

Note	Key accounting estimates and judgments	Estimates/judgments	Potential impact
3.1 Intangible assets	Useful lives and valuation of intangible assets; Impairment testing of intangible assets	Estimate Judgment	High
4.4 Provisions	Provisions for sales deductions	Estimate	Medium
4.2 Inventories	Cost of inventories and provision for obsolescence	Estimate	Medium
2.4 Tax: Deferred tax	Valuation of deferred tax assets Recoverability of deferred tax assets	Estimate Judgment	Medium

Key accounting estimates

Key accounting estimates are based on quantitative and qualitative factors that could significantly impact the values of assets and liabilities in the reporting period.

Accounting estimates are based on historical experience and assumptions that are reasonable under the circumstances and in the current situation. The actual amounts may therefore differ from the estimated amounts as more detailed information becomes available.

Example: estimate of useful life of intangible assets considering contractual terms, economic factors etc.

Key accounting judgments

Accounting judgments refer to the decisions made by Management when applying the Group's accounting policies, which could significantly affect the amounts recognized in the consolidated financial statements. These judgments are typically made based on guidance and information available at the time of application.

Example: judgments to assess whether or not there are indications of impairment for intangible assets.

Note 1.2 Accounting policies

Material accounting policies

LEO Pharma's material accounting policies are described in the individual notes to the consolidated financial statements.

Consolidation
The consolidated financial statements include the financial statements of the Parent Company, LEO Pharma A/S, and its subsidiaries in which LEO Pharma A/S exercises control, as at December 31, 2024. The consolidated financial statements are prepared by combining the financial statements of the Parent Company and all its subsidiaries, with subsequent elimination of intercompany transactions, intercompany shareholdings and balances as well as unrealized profits from intercompany transactions. The financial statements of all companies have been prepared by applying the Group's accounting policies.

Foreign currency translation
Each entity's financial statement items in the Group are measured in the currency of its main financial environment. Transactions in other currencies are considered foreign currency transactions. On initial recognition, transactions in foreign currencies are translated at the exchange rates at the transaction date.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rate at the balance sheet date and the exchange rate at the time when the receivable or the payable arises, or on recognition in the most recent financial statements, are recognized in financial income or financial expenses in the income statement.

On consolidation of foreign subsidiaries with a functional currency other than DKK, income statements are translated into DKK at the exchange rates at the transaction date and balance sheet items are translated at the exchange rates at the balance sheet date. The previous month-end exchange rate is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences from translating the opening balance of equity and income statements at different exchange rates are recognized in other comprehensive income. Adjustments of balances with foreign entities that are considered part of the investment are also recognized in other comprehensive income under a separate translation reserve in the consolidated financial statements.

Cash flow statement
The cash flow statement is prepared according to the indirect method based on operating profit/(loss). The statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the start and end of the year.

Cash flows from operating activities are calculated as the Group's operating profit/(loss), adjusted for non-cash operating items such as depreciation, amortization and impairment losses, as well as changes in working capital. Working capital includes inventories, trade receivables, trade payables and other similar items.

Cash flows from investing activities comprise payments from acquisitions and disposals of intangible assets and property, plant and equipment as well as net investments in securities.

Cash flows from financing activities comprise payments from the raising and repayment of current and non-current debt and payments to and from shareholders. Cash solely comprises cash at bank and in hand.

Implementation of new and amended standards and interpretations
Effective from January 1, 2024, LEO Pharma implemented all new or changed accounting standards and interpretations. Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments; Amendments to IAS 1 Presentation of Financial Statements, Amendments to IFRS 16 Leases. The adoption had no material impact on the disclosures or the amounts reported in the consolidated financial statements.

New and revised IFRS issued, but not yet effective, that are relevant to the Group
IASB has issued new or amended accounting standards and interpretations that have not yet become effective: IFRS 18, which replaces IAS 1 and introduces new requirements for presentation of income statement and disclosures of Management-defined performance measures. IFRS 18 will be effective from reporting periods beginning on or after January 1, 2027.

LEO Pharma has not yet assessed the implications of applying the new standard to the Group's consolidated financial statements. LEO Pharma expects to adopt the IFRS standards and interpretations when they become mandatory.

Note 1.3 Non-IFRS measures

The consolidated financial statements and the Financial review & outlook section include financial performance measures that are not defined according to IFRS Accounting Standards. These measures are considered to provide relevant information to stakeholders and Management. Since other companies might calculate these differently from LEO Pharma, they may not be comparable to the measures calculated by other companies. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS, but rather as supplementary information.

The following non-IFRS measures are presented in the Annual Report:
'Reported' refers to the income statement in accordance with IFRS Accounting Standards.

Revenue growth at constant exchange rates (CER) (%)
Revenue growth at constant exchange rates (CER) excludes the effect of changes in exchange rates when comparing revenue for the current year (period) with the revenue for the prior year (period).

The revenue for the current year (period) is recalculated using a set of constant foreign exchange rates and compared with revenue for the prior year (same period of the prior year), recalculated using the same set of constant foreign exchange rates.

(DKK million)	2024	2023
Reported revenue	12,453	11,392
Effect of exchange rates	31	249
Revenue at constant exchange rates (calc.)	**12,484**	**11,641**
Prior year's revenue at current year's constant exchange rates (calc.)	11,309	10,592
Revenue growth at constant exchange rates (CER)	**10%**	**10%**

(DKK million)	2024	2023
Reported revenue, Dermatology (see Note 2.1 Revenue)	10,008	9,039
Effect of exchange rates	35	273
Revenue at constant exchange rates (calc.)	**10,043**	**9,312**
Prior year's revenue at current year's constant exchange rates (calc.)	8,958	8,126
Revenue growth, Dermatology at constant exchange rates (CER)	**12%**	**15%**

EBITDA and EBITDA margin (%)
EBITDA is the reported operating profit/(loss), adjusted for depreciation, amortization and impairment, and therefore presenting the earnings before financial income and expenses, tax, depreciation, amortization and impairment. EBITDA margin is EBITDA as a percentage of reported revenue.

(DKK million)	2024	2023
Reported revenue	12,453	11,392
Reported operating profit/(loss) (EBIT)	(1,143)	(1,699)
Depreciation, amortization and impairment	(1,743)	(2,250)
EBITDA	**600**	**551**
EBITDA margin	**5%**	**5%**

Adjusted EBITDA and adjusted EBITDA margin (%)
Adjusted EBITDA is considered to best reflect the Group's underlying operational profitability, as it excludes impact from significant non-recurring items that Management assesses are not representative of the ordinary course of the business.

To arrive at adjusted EBITDA, EBITDA is adjusted for significant transformation and restructuring costs, extraordinary non-recurring income or expenses, capital transaction costs and M&A, including integration costs.

Adjusted EBITDA margin is adjusted EBITDA as a percentage of reported revenue.

In 2024, the Group announced a restructuring program involving redundancies and related legal fees of DKK 274m. All expenses subject to adjustment are presented under cost of sales, sales and distribution costs, research and development costs, and administrative costs in the income statement.

(DKK million)	2024	2023
EBITDA	**600**	**551**
Restructuring expenses	(274)	(55)
Other expenses	(21)	(20)
Adjusted EBITDA	**895**	**626**
Adjusted EBITDA margin	**7%**	**5%**

2 Operating profit and tax

Note 2.1 Revenue

LEO Pharma is engaged in manufacturing of pharmaceutical products, mainly in the therapeutic areas of dermatology and thrombosis.

The Group's gross revenue from sale of products is reduced by various deductions, estimated and recognized in the same period that the revenues are recognized. Specific bonus and incentive programs in the form of rebates and commercial agreements for product returns are the main variable considerations and as such reduce the sale price. The estimated rebates and returns are based on information related to expected orders and on customer- and product-specific experience. For further information on key accounting estimates, please refer to Note 4.4 Provisions.

In 2024, revenue from sales-based royalties amounted to DKK 39m (2023: DKK 57m).

The Group updated its reporting split of revenue areas in 2024, introcucing "Established brands" and "Strategic brands" for the Dermatology business. The disclosure in the following table follows the internal reporting to Management. To provide transparency, the Group discloses the comparative figures according to the new split.

(DKK million)	2024	2023
Revenue by region		
Europe	6,836	6,375
North America	2,234	1,667
Rest of the world	3,383	3,350
Total	**12,453**	**11,392**
Revenue by area		
Dermatology		
Established brands	7,917	7,805
Strategic brands	2,091	1,234
Total Dermatology	**10,008**	**9,039**
Thrombosis	2,304	2,141
CMO/Divested	141	212
Total	**12,453**	**11,392**

Accounting policies

Revenue comprises sales of goods, primarily from own production, and sales-based royalty income.

Sales of goods
Revenue from sales of goods is recognized when LEO Pharma's customers obtain control of the goods, which is typically at the time of delivery.

Sales deductions, product returns
The amount of revenue recognized at the time of delivery is adjusted for expected returns, which are estimated based on historical data and other relevant factors for the specific product and market. A refund liability is recognized in these circumstances and included in provisions and/or other payables, depending on the type of product return.

Sales-based royalties
Sales-based royalties from outlicensed products as well as milestone payments are recognized when the subsequent sale occurs.

LEO Pharma sometimes receives upfront payments related to various sales and distribution rights where the upfront payments are recognized over time, resulting in contract liabilities. Contract liabilities are recognized as revenue in line with fulfillment of the performance obligation.

Note 2.2 Employee costs

(DKK million)	2024	2023
Wages and salaries	3,120	3,078
Pensions	243	264
Share-based payment	44	43
Social security costs	337	337
Other employee costs	210	213
Total employee costs for the year	**3,954**	**3,935**
Of which capitalized as intangible assets	(22)	(34)
Total employee costs in the income statement	**3,932**	**3,901**
Employee costs are included in the following items in the income statement:		
Cost of sales	739	713
Sales and distribution costs	2,022	1,862
Research and development costs	607	658
Administrative costs	564	668
Total employee costs	**3,932**	**3,901**
Average number of full-time employees	**4,184**	**4,490**

In 2024, the announced restructuring program in LEO Pharma impacted the total employee costs by DKK 265m (2023: DKK 55m).

Members of Executive Management participate in short- and long-term incentive programs that provide a bonus for the achievement of predetermined targets. Please refer to Note 6.1 Management remuneration and Note 6.2 Share-based payment.

Note 2.3 Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the Group's primary activities, i.e. gains and losses on divestments of intellectual property rights and on sale of property, plant and equipment.

(DKK million)	2024	2023
Gain on sale of assets	5	10
Other income	35	48
Other operating income	**40**	**58**
Loss on sale of assets	(1)	(8)
Other expenses	(26)	(9)
Other operating expenses	**(27)**	**(17)**
Other operating income, net	**13**	**41**

Note 2.4 Tax

Income tax for the year

(DKK million)	2024	2023
Current tax	(93)	(158)
Change in deferred tax	364	(691)
Prior-year adjustments, current tax	(14)	(1)
Prior-year adjustments, deferred tax	(53)	49
Total tax income/(expense) for the year	**204**	**(801)**
Tax for the year is included in:		
Tax on profit/(loss) for the year	181	(815)
Tax in other comprehensive income	23	14
Total tax income/(expense) for the year	**204**	**(801)**

Reconciliation of the Group's effective tax rate relative to the Danish corporate income tax rate

	2024		2023	
	DKK million	%	DKK million	%
Profit/(loss) before tax	**(1,957)**		**(2,792)**	
Calculated tax, 22% (Danish corporate income tax)	430	22.0%	614	22.0%
Tax effect of:				
Differences in the income tax rates of foreign subsidiaries compared to the Danish corporate income tax rate	83	4.2%	62	2.2%
Non-deductible expenses/non-taxable income and other permanent differences	50	2.5%	(83)	(3.0)%
Other taxes	(3)	(0.2)%	(9)	(0.3)%
Change in deferred tax as a result of change in income tax rates	7	0.4%	(43)	(1.5)%
Change in valuation of net deferred tax assets	(319)	(16.3)%	(1,404)	(50.3)%
Prior-year tax adjustments	(67)	(3.4)%	48	1.7%
Effective tax/tax rate for the year	**181**	**9.2%**	**(815)**	**(29.2)%**

For specification of tax in other comprehensive income, reference is made to Note 5.6 Other comperehensive income.

The Group did not register any material uncertain tax positions in 2024.

Pilar II

In 2023, the Danish Ministry of Taxation adopted the EU Minimum Tax Directive in Danish national legislation (Pillar II), effective January 1, 2024. Under the legislation, the Parent Company will be required to pay the top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. For 2024, it has been determined that all jurisdictions within the Group meet one of the three Safe Harbour tests, so no top-up tax provision is required and has been calculated. The determination is based on the consolidated financial statements for 2024.

The Group has applied the temporary exception from the accounting requirements for deferred taxes in IAS 12 issued by the Intenational Accounting Standards Board (IASB) in May 2023. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar II income taxes.

Note 2.4 Tax (continued)

Deferred tax

	2024					2023				
(DKK million)	**Balance at January 1**	**Exchange rate adjustment**	**Prior-year adjustments**	**Current-year movements**	**Balance at December 31**	**Balance at January 1**	**Exchange rate adjustment**	**Prior-year adjustments**	**Current-year movements**	**Balance at December 31**
Intangible assets	1,158	0	(7)	311	1,462	1,071	0	(25)	112	1,158
Property, plant and equipment	631	0	(1)	38	668	433	0	77	121	631
Inventories	592	1	(4)	(58)	531	862	(2)	-	(268)	592
Provisions	200	2	12	11	225	153	(1)	89	(41)	200
Other items	59	4	11	26	100	61	2	3	(7)	59
Special tax credits	203	-	6	25	234	87	-	(14)	130	203
Tax loss carryforwards	2,312	0	(26)	330	2,616	1,727	0	(81)	666	2,312
Valuation allowances on deferred tax assets	(4,028)	-	(44)	(319)	(4,391)	(2,624)	-	-	(1,404)	(4,028)
Total temporary differences	**1,127**	**7**	**(53)**	**364**	**1,445**	**1,770**	**(1)**	**49**	**(691)**	**1,127**
Deferred tax assets	1,157	9	(54)	370	1,482	1,809	(5)	49	(696)	1,157
Deferred tax liabilities	30	2	(1)	6	37	39	(4)	-	(5)	30
Deferred tax assets/(tax liabilities)	**1,127**	**7**	**(53)**	**364**	**1,445**	**1,770**	**(1)**	**49**	**(691)**	**1,127**

Prior-year adjustments primarily derive from the tax return true-up for previous years in LEO Pharma A/S, LEO Pharma Inc, USA and LEO Laboratories Ltd., Ireand.

Capitalized tax loss carryforwards are driven by LEO Pharma A/S with no significant amounts related to its subsidiaries. The unused tax loss carryforwards relating to LEO Pharma A/S do not expire. Tax losses not recognized in the year amounted to DKK 0m (2023: DKK 0m).

The recognized deferred tax assets in LEO Pharma A/S at December 31, 2024, amounted to DKK 746m (2023: DKK 373m).
The excess deferred tax assets in LEO Pharma A/S are subject to a valuation allowance of DKK (319)m in the current year and DKK (44)m as prior-year adjustments (2023: DKK (1,404)m).

Note 2.4 Tax (continued)

Accounting policies

Income tax
Income tax for the year, which consists of the year's current tax, the change in deferred tax and adjustments in respect of previous years, is recognized in the income statement at the amount that can be attributed to the profit/(loss) for the year and in other comprehensive income at the amount that can be attributed to items in other comprehensive income.

The change in deferred tax as a result of changed income tax rates or tax rules is recognized in the income statement. Interest on tax cases that are ongoing or have been settled during the year is reported under financial items.

Current tax for the year is calculated on the basis of the income tax rates and rules enacted at the balance sheet date. The Parent Company, the Danish subsidiary and LEO Holding A/S are jointly taxed.

Deferred tax
Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their tax bases, except for temporary differences arising on initial recognition of a transaction that is not a business combination, and with the temporary difference ascertained at the time of initial recognition affecting neither the financial result nor the taxable income.

Deferred tax is measured on the basis of the income tax rates and tax rules enacted in the respective countries at the balance sheet date.

Deferred tax assets, including the tax assets on tax loss carryforwards, are recognized in the balance sheet at the value at which the assets are expected to be utilized.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these and intends to settle these on a net basis or to realize the assets and settle the liabilities simultaneously. ●

Key accounting estimates

Significant assumptions regarding the valuation of the recognized deferred tax asset are both the ability to meet the objectives in the strategy for the next five years and the return on the investment portfolio within the joint taxation group. The return on the investment portfolio is sensitive to general market fluctuations.

Management's estimate of future income according to forecasts, business plans and initiatives scheduled for the coming years forms the basis for estimating the utilization of the deferred tax assets in future periods. A forecast period of five years is applied to the estimated utilization of deferred tax assets for LEO Pharma A/S and the companies under the joint taxation scheme. ●

Key accounting judgments

Judgment concerning the recoverability of deferred tax assets and whether to recognize deferred tax assets in relation to tax loss carryforwards. ●

3 Invested capital

Note 3.1 Intangible assets

Intellectual property rights

At December 31, 2024, intellectual property rights comprise the following individually significant intangible assets:

- Dermatology portfolio (mainly Skinoren®, Advantan®, Travocort® and Travogen®) with a carrying amount of DKK 2,527m (2023: DKK 2,808m) and remaining useful life of 9.5 years.
- Protopic® and Pimafucort® with a carrying amount of DKK 294m (2023: DKK 577m) and remaining useful life of 1 year.
- Tralokinumab with a carrying amount of DKK 790m (2023: DKK 907m) and remaining useful life of 7-9 years.

Software

Software comprises both purchased and internally developed software for production, reporting systems etc.

Development projects and software in progress

Development projects and software in progress, DKK 23m (2023: DKK 200m), comprise development projects, DKK 0m (2023: DKK 168m) and software in progress, DKK 23m (2023: DKK 32m).

During the year the Group recognized DKK 130m in additions (2023: DKK 16m) related to development projects and DKK 28m (2023: DKK 47m) related to software projects.

At December 31, 2024, development projects comprise Temtokibart DKK 0m (2023: DKK 78m), Delgocitinib DKK 0m (2023: DKK 73m), and other development projects, DKK 0m (2023: DKK 17m).

	2024					2023				
(DKK million)	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**
Cost at January 1	192	14,069	2,885	209	17,355	192	14,076	2,594	2,380	19,242
Exchange rate adjustment	-	(6)	-	-	(6)	-	(7)	-	-	(7)
Additions	-	-	-	158	158	-	-	-	63	63
Disposals	-	-	(388)	(104)	(492)	-	-	(37)	(1,897)	(1,934)
Transfers	-	100	37	(137)	-	-	-	328	(337)	(9)
Cost at December 31	**192**	**14,163**	**2,534**	**126**	**17,015**	**192**	**14,069**	**2,885**	**209**	**17,355**
Amortization and impairment losses at 1 January	-	(9,568)	(1,679)	(9)	(11,256)	-	(8,481)	(1,341)	(1,765)	(11,587)
Exchange rate adjustment	-	2	-	-	2	-	2	-	-	2
Amortization	-	(748)	(350)	-	(1,098)	-	(714)	(375)	-	(1,089)
Disposals	-	-	388	104	492	-	-	37	1,897	1,934
Impairment	-	(11)	(4)	(198)	(213)	-	(375)	-	(141)	(516)
Amortization and impairment losses at December 31	**-**	**(10,325)**	**(1,645)**	**(103)**	**(12,073)**	**-**	**(9,568)**	**(1,679)**	**(9)**	**(11,256)**
Carrying amount at December 31	**192**	**3,838**	**889**	**23**	**4,942**	**192**	**4,501**	**1,206**	**200**	**6,099**

Note 3.1 Intangible assets (continued)

Impairment testing

Goodwill

LEO Pharma is considered as a single identifiable group of assets that generates independent cash inflows, as Management makes decisions and assesses business performance at the consolidated level.

In 2024, the recoverable amount of LEO Pharma as a single cash-generating unit (CGU) was based on a method of assessing the fair value less cost of disposal. The fair value of LEO Pharma is based on the actual valuation of the share price (enterprise value) of LEO Pharma compared with the carrying amount of equity. Management has not identified any goodwill impairment at December 31, 2024.

Intellectual property rights and software

Intellectual property rights and Software are tested for impairment in two steps. First, the Group performs a review for indications of impairment per asset. If any indications of impairment are identified, the second step is to compare the discounted future cash flow (value in use) generated by the specfic asset with its carrying amount.

2024: No material impairment losses, or reversal of previous recognized impairment losses, were recognized, based on the impairment test.

2023: Impairment losses of DKK 375m were recognized under sales and distribution costs related to intellectual property rights for tralokinumab within a specific geographical area. The recovarable amount of tralokinumab before impairment amounted to DKK 907m. No reversals of impairment losses from prior periods were recognized in 2023.

Impact of changes in key assumptions

When preparing the impairment tests by using the discounted future cash flows to determine the recoverable amount of an asset, Management considers the sensitivity of changes in the key assumptions, to evaluate the inherent risk in the valuation of the recoverable amount.

The Group conducted an analysis of the sensitivity of changes in the key assumptions applied in the impairment tests in 2024. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Development projects and software in progress

The Group performs annual impairment tests on single internal assets in progress and acquired development assets that are not yet commercialized. The recoverable amount of intellectual property rights and development projects is based on the value in use of the discounted expected future cash flows. The recoverable amounts of the specific assets are compared with the carrying amount.

2024: The impairment losses recognized on development projects amounted to DKK 198m and primarily relate to discontinuation of TMB-001 development project of DKK 104m. The clinical project was terminated, as primary and key secondary endpoints of the randomized, double-blind period of the phase 3 clinical trial were not met. Consequently, the recoverable amount was determined at DKK 0m. Other impairment losses on development projects amounted to DKK 94m, and relates to discontinuing of various development projects.

The impairment losses of DKK 198m were recognized under research and development costs. No reversals of impairment losses from prior periods were recognized in 2024.

2023: Impairment losses recognized on development projects amounted to DKK 141m and primarily related to the Izuforant development project (DKK 109m).

The impairment losses of DKK 141m were recognized under research and development costs. No reversals of impairment losses from prior periods were recognized in 2023.

Research and development costs

In 2024, research and development costs recognized in the income statement amounted to DKK 2,270m (2023: DKK 2,122m), including impairment losses of DKK 198m (2023: DKK 141m).

Specification of amortization

(DKK million)	2024	2023
Cost of sales	31	35
Sales and distribution costs	769	734
Research and development costs	55	50
Administrative costs	243	270
Total	**1,098**	**1,089**

Note 3.1 Intangible assets (continued)

Accounting policies

Intellectual property rights
Amortization is provided on a straight-line basis over the expected useful life of the assets and recognized in sales and distribution costs and research and development costs in the income statement. Costs relating to the maintenance of patents etc. are expensed in the income statement as incurred.

Software purchased or internally developed is amortized on a straight-line basis over the expected useful life. Amortization and impairment losses are recognized in the income statement as administrative costs.

The expected useful lives are as follows:

Intellectual property rights	5-15 years
Software	3-10 years

Development projects and software in progress
Acquired or internal development projects and software in progress are recognized as intangible assets if the recognition criteria are met:

- The projects are clearly defined and identifiable.
- The Group intends to use the projects once completed.
- The future earnings from the projects are expected to cover the development and administrative costs.
- The cost can be reliably measured.

R&D intangible assets are capitalized as a development project when milestone payments related to acquired clinical intellectual rights are made with the intention to market the product at a future stage and it is probable that future earnings can cover production, sales and distribution, administrative, as well as research and development costs.

Research costs are expensed in the income statement. The costs of software in progress include direct salaries, materials and other direct costs attributable to the development activities.

Consistent with industry practice, internal and subcontracted development costs are expensed as incurred, due to significant regulatory uncertainties inherent in developing new products. Once marketing approval by a regulatory authority is obtained or considered highly probable, development costs are capitalized as intangible assets.

Development projects are not amortized, as the assets are not available for use.

Impairment testing: Goodwill and intangible assets under construction are tested for impairment annually or if there are indications of impairment during the year. If an impairment need is identified, the carrying amount is written down to the recoverable amount, which is the higher of fair value less costs of disposal and value in use.

Development projects are assessed on an ongoing basis taking due account of development progress, expected approvals and commercial utilization.

When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Research and development costs: Research and development costs comprise internal and external costs related to studies, employee costs, materials, costs for subcontracted development activities, depreciation, amortization, impairment losses and other directly attributable costs.

Key accounting judgments

Impairment testing, indicators
Management makes judgments to assess if there are any indications of impairment. To identify indications of impairment, Management considers the following events:

- Changes in patent and license rights
- Changes in expected future cash inflows to and outflows from the Group
- Research and development results
- Technological changes
- Development of competing products.

Key accounting estimates

Valuation of intangible assets
To determine the recoverable amount of intangible assets, the future cash flows are discounted to present value by applying a discount rate that reflects the risks associated with the cash flow. The expected future cash flows are based on budgets and target plans for the patent period or other applicable period for marketable products. The budgets and target plans are based on Management's expectations of current market conditions and future growth expectations. Key factors estimated in the valuation include discount rates and growth rates, working capital etc.

Estimated useful life
The useful life and amortization period are estimated individually in each case and are initially assessed when the assets are acquired or brought into use. The main factors in consideration are contractual terms that may limit the useful life, the useful life of other assets to which the intangible asset may relate and economic factors. Management assesses intangible assets for changes in useful life on an annual basis.

Note 3.2 Property, plant and equipment

	2024					2023				
(DKK million)	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction**	**Total property, plant and equipment**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction**	**Total property, plant and equipment**
Cost at January 1	2,672	3,271	544	2,355	8,842	2,602	3,281	650	2,694	9,227
Exchange rate adjustment	4	1	2	0	7	-	4	-	2	6
Additions	2	6	14	236	258	6	7	5	330	348
Disposals	(85)	(11)	(71)	-	(167)	(76)	(346)	(152)	(175)	(749)
Transfers	5	144	5	(154)	-	140	325	41	(496)	10
Cost at December 31	**2,598**	**3,411**	**494**	**2,437**	**8,940**	**2,672**	**3,271**	**544**	**2,355**	**8,842**
Depreciation and impairment losses at January 1	(1,665)	(2,267)	(394)	-	(4,326)	(1,664)	(2,382)	(473)	-	(4,519)
Exchange rate adjustment	(2)	(1)	(0)	-	(3)	(1)	(3)	-	-	(4)
Disposals	85	11	71	-	167	74	346	137	175	732
Depreciation	(65)	(197)	(48)	-	(310)	(74)	(226)	(57)	-	(357)
Impairment	(11)	-	(12)	-	(23)	-	(2)	(1)	(175)	(178)
Depreciation and impairment losses at December 31	**(1,658)**	**(2,454)**	**(383)**	**-**	**(4,495)**	**(1,665)**	**(2,267)**	**(394)**	**-**	**(4,326)**
Carrying amount at December 31	**940**	**957**	**111**	**2,437**	**4,445**	**1,007**	**1,004**	**150**	**2,355**	**4,516**

Assets under construction mainly relate to the construction of a new production plant in Ballerup, Denmark, at a carrying amount of DKK 1,843m (2023: DKK 1,746m) and construction related to expansion of an existing plant in Ireland at a carrying amount of DKK 647m (2023: DKK 424m).

For capital commitments, please refer to Note 6.3 Guarantees, contingencies and commitments.

As at December 31, 2024, assets at the Ballerup site in Denmark were pledged as collateral for loans. The carrying amount of these assets was DKK 2,549m (2023: DKK 2,553m).

Note 3.2 Property, plant and equipment (continued)

Specification of depreciation and impairment

(DKK million)	2024	2023
Cost of sales	250	428
Sales and distribution costs	23	15
Research and development costs	31	23
Administrative costs	29	69
Total	**333**	**535**

§ Accounting policies

For self-constructed assets, cost comprises the direct costs of materials, subsuppliers and salaries etc. The total cost of an asset is broken down into components that are depreciated separately if the expected useful life of the individual components is not the same.

If the recoverable amount of an asset is estimated to be less than the carrying amount, an impairment is recognized. Impairment losses are recognized in the respective function that the asset belongs to on recognition, such as cost of sales, sales and distribution costs, research and development costs, and administrative costs.

Depreciation is provided on a straight-line basis over the expected useful life. The useful life is reassessed once a year to ascertain that the depreciation profile reflects the expected useful life and future residual value of the assets. Land is not depreciated.

The expected useful lives are as follows:

Buildings	10-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Leasehold improvements are depreciated over the term of the leased assets.

Note 3.3 Leases

LEO Pharma's leases mainly consist of property leases of e.g. offices and cars.

Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease contracts are typically signed for fixed periods. If a rental contract includes an extension option for LEO Pharma, Management asseses whether it is reasonably certain that the extention option will be utilized.

Right-of-use assets

	2024			2023		
(DKK million)	**Properties**	**Cars etc.**	**Total**	**Properties**	**Cars etc.**	**Total**
Carrying amount at January 1	235	71	306	322	77	399
Additions	16	42	58	-	40	40
Remeasurements	(38)	-	(38)	(11)	-	(11)
Disposals	(22)	0	(22)	(1)	-	(1)
Depreciation	(48)	(40)	(88)	(65)	(45)	(110)
Impairment	(11)	-	(11)	-	-	-
Exchange rate adjustment	3	-	3	(10)	(1)	(11)
Carrying amount at December 31	**135**	**73**	**208**	**235**	**71**	**306**

Lease liabilities

(DKK million)	**2024**	**2023**
Current	82	87
Non-current	164	238
Total	**246**	**325**

For a contractual maturity analysis of lease liabilities, refer to Note 5.2 Financial risks, Contractual maturity analysis for financial liabilities.

The cash flow statement for lease liabilities was impacted by DKK 120m (2023: DKK 125m), of which DKK 10m (2023: DKK 10m) impacted the operating cash flows and DKK 110m (2023: 115m) impacted the cash flow from financing activities.

Amounts expensed in the income statement

(DKK million)	**2024**	**2023**
Other operating income, net	6	(1)
Depreciation and impairment of right-of-use assets	(99)	(110)
Interest expense on lease liabilities	(10)	(10)
Total	**(103)**	**(121)**

Variable lease payments, short-term leases and leases of low-value assets were not material in 2024 and 2023.

Depreciation is included in sales and distribution costs in the income statement.

Note 3.3 Leases (continued)

Accounting policies

On initial recognition, right-of-use assets correspond to the lease liability recognized, adjusted for any lease prepayments, and including dismantling and restoration costs.
The lease payments include fixed payments less any lease incentives receivable and variable lease payments. Variable lease payments that are not included in the measurement of the lease liability are recognized as expenses in the income statement.

The lease payments are discounted using the interest rate implicit in the contract if the rate can be determined, or otherwise using LEO Pharma's incremental borrowing rate that the subsidiaries would have to pay to borrow the funds necessary to obtain the assets with similar characteristics to the leased assets, in a similar economic environment and with similar terms and conditions.

The consideration in the contract is allocated to the lease and non-lease components based on their relative standalone prices. For some property agreements, where lease and non-lease components cannot be separated, non-lease components, i.e. the service elements, will form part of the right-of-use asset and lease liabilities recognized in the balance sheet.

For contracts with a rolling term (evergreen leases), the lease term is estimated at five years. Properties of strategic importance are estimated based on the time frame necessary to vacate the premises. The estimated lease term is reassessed at each reporting date.

Depreciation follows the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shorter.

Properties	5-10 years
Cars etc.	3-5 years

The Group applies the short-term lease recognition exemption to lease contracts that, at the commencement date, have a lease term of 12 months or less for all classes of underlying assets, and the exemption for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Note 3.4 Pensions

The Group operates a number of pension plans with different characteristics for certain groups of employees in various countries. The vast majority of these pension plans are defined contribution plans.

Defined contribution plans

These plans are externally funded through payments of premiums to insurance companies and pension funds that are legally separate from the Group. The Group's responsibility to current or former employees is limited to the payment of the premium. Further information about the Group's contributions for the year is provided in Note 2.2 Employee costs.

Defined benefit plans

For these plans the Group is responsible for the pension obligation to the employees, which exposes the Group to actuarial risks, such as mortality, interest rate and salaries. The plans entitle the employees to an annual pension on retirement based on service and salary level up to retirement.

The Group operates defined benefit plans in a few countries, of which the most significant are in Ireland and the UK.

The plans in Ireland and the UK are funded and constituted under a trust whose assets are legally separate from those of the Group. Under the UK scheme-funding regime, the trustees are required to undertake regular scheme-funding valuations for the plans and to establish a schedule of contributions and a recovery plan if there is a shortfall in the plans.

Other financial assets of DKK 146m (2023: DKK 138m), including bonds and cash, have been pledged for the pension fund in Ireland. (See Note 5.4 Financial assets and liabilities by category).

	2024			2023		
(DKK million)	**Present value of pension obligations**	**Fair value of plan assets**	**Net obligations**	**Present value of pension obligations**	**Fair value of plan assets**	**Net obligations**
Value at January 1	1,446	1,514	(68)	1,346	1,419	(73)
Effect of exchange rate adjustment	25	32	(7)	14	18	(4)
Current and past service costs	2	-	2	-	-	-
Interest on obligation/asset	53	57	(4)	55	59	(4)
Total amount recognized in the income statement	**80**	**89**	**(9)**	**69**	**77**	**(8)**
Actuarial (gains)/losses on changes in demographic assumptions	(6)	-	(6)	(6)	-	(6)
Actuarial (gains)/losses on changes in financial assumptions	(78)	-	(78)	67	-	67
Actuarial (gains)/losses on experience adjustments	(4)	-	(4)	30	-	30
Return on plan assets	-	(61)	61	-	53	(53)
Total amount recognized in other comprehensive income	**(88)**	**(61)**	**(27)**	**91**	**53**	**38**
Benefits paid to employees	(64)	(61)	(3)	(60)	(59)	(1)
Employer contributions	-	24	(24)	-	24	(24)
Value at December 31	**1,374**	**1,505**	**(131)**	**1,446**	**1,514**	**(68)**
Recognized as						
Non-current assets			206			145
Non-current liabilities			75			77
Total			**(131)**			**(68)**

Note 3.4 Pensions (continued)

Key assumptions and sensitivity analysis

The most significant assumptions used in the calculation of the obligation concerning defined benefit plans are the discount rates.

The average discount rate applied is 4.1% (2023: 3.8%).

(DKK million)	2024
Sensitivity analysis	
Decrease of 0.5% in discount rate	93
Increase of 0.5% in discount rate	(86)

Accounting policies

Defined contribution plans
Payments to defined contribution plans are recognized in the income statement in the period to which they relate, and any amounts payable are recognized as other payables under current liabilities in the balance sheet.

Defined benefit plans
Under defined benefit plans, the Group has an obligation to pay a defined benefit on retirement. The actuarially calculated present value less the fair value of any plan assets is recognized under pensions in the balance sheet.

The present value is calculated on the basis of assumptions relating to future developments in salary, interest rates, inflation, mortality and other factors. The present value is calculated solely for the benefits to which the employees have earned a right through their employment in the Group. Plan assets are recognized to the extent that the Group is able to obtain future economic benefits in the form of reimbursement from the pension scheme or reduction of future payments. Pension costs for the year are recognized in the income statement on the basis of actuarial estimates and financial expectations at the beginning of the year. Actuarial gains and losses are recognized in other comprehensive income. Past service costs are recognized in the income statement as incurred.

The value of the defined benefit plans is based on valuations from external actuaries. The valuation is based on a number of actuarial assumptions, including discount rates, expected return on plan assets, expected growth in wages and salaries, mortality and retirement benefits. The discount rate is the most significant assumption used in the calculation of the obligation concerning defined benefit plans.

4 Operating assets and liabilities

Note 4.1 Trade receivables

Trade receivables arise primarily from sales of goods produced in-house, invoicing for the licensing of intellectual property and sales-based royalty income. The amounts due from customers include the net value of products sold, taking into account commercial discounts and chargebacks as contractually agreed compensation to LEO Pharma's contract partners, as well as credit notes for returned products as per contractual agreements.

LEO Pharma's contracts with customers have initial payment terms that range from 45 to 90 days.

(DKK million)	2024	2023
Trade receivables	2,400	2,173
Allowances for expected credit loss	(32)	(31)
Trade receivables at December 31	**2,368**	**2,142**

Movements in write-downs, which are included in trade receivables

(DKK million)	2024	2023
Write-downs at January 1	31	42
Write-down recognized	15	10
Realized loss	0	0
Write-down reversals	(14)	(21)
Write-downs at December 31	**32**	**31**

The table below details the risk profile for trade receivables based on the Group's provision matrix. The Group's historical credit losses do not show different patterns for different customer segments. Historical credit losses are assessed by country of incorporation.

Maturity analysis of trade receivables

(DKK million)	Expected credit loss rate	Gross carrying amount	Write-downs	Carrying amount
2024				
Not due	0%	2,184	0	2,184
1-90 days past due	1%	136	(1)	135
91-180 days past due	1%	32	0	32
181-360 days past due	36%	23	(9)	14
More than 360 days past due	88%	25	(22)	3
Trade receivables at December 31		**2,400**	**(32)**	**2,368**
2023				
Not due	0%	1,895	0	1,895
1-90 days past due	1%	185	(2)	183
91-180 days past due	1%	30	0	30
181-360 days past due	12%	24	(3)	21
More than 360 days past due	65%	39	(26)	13
Trade receivables at December 31		**2,173**	**(31)**	**2,142**

Accounting policies

On initial recognition, trade receivables are measured at fair value, and subsequently at amortized cost, which usually corresponds to the nominal value less write-downs to counter the risk of losses. Write-downs are calculated using the 'lifetime expected credit losses' method.

The write-down amount is recognized in the income statement under sales and distribution costs.

Note 4.2 Inventories

(DKK million)	2024	2023
Raw materials and consumables	1,260	1,323
Work in progress	2,158	2,263
Finished goods and goods for resale	1,555	1,280
Total	**4,973**	**4,866**
Write-down, provision end of the period	283	377
Cost of goods sold included under cost of sales	4,383	3,465

Accounting policies

Inventories are measured at the lower of costs or net realizable value and are assigned using the first-in, first-out (FIFO) cost formula.

Finished goods and work in progress comprise the cost of raw materials, consumables, direct labor and indirect production costs. Indirect production costs comprise indirect consumables and labor, as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process, and the costs of factory administration and management.

The net realizable value of inventories is calculated as the sales price less the costs of completion and the expenses incurred to effect the sale, and is determined allowing for marketability, obsolescence and development in expected sales price. Obsolete goods, including slow-moving goods, are written down.

Key accounting estimates

Cost of inventories
Management uses the standard cost method to measure cost and performs a yearly assessment to determine if this results in approximate cost. The standard cost is adjusted if there are significant deviations.

Indirect production overheads are calculated on the basis of relevant assumptions concerning capacity utilization, production time and other relevant factors and allocated on the basis of the normal production capacity.

Inventory write-down
Inventory provision involves assessing the value of inventory to ensure it is reported at the lower of cost or net realizable value. This estimate requires significant assumptions and analysis and by that the Group considers market conditions, product demand and potential obsolescence.

Note 4.3 Other payables

(DKK million)	2024	2023
Employee-related	734	735
Sales deductions	490	372
Accrued clinical trial expenses	241	173
Deferred revenue	184	-
Financial derivatives	113	30
Public authorities	80	100
Royalties	74	55
Accounts and other payables	705	685
Total	**2,621**	**2,150**

Accounting policies

Other payables include liabilities that are settled on an ongoing basis and due less than one year from the balance sheet date.

Other payables include amounts owed to employees, amounts owed for the purchase of research and development projects, accrued clinical trial expenses and sales deductions related to customer programs contracted with specific customers. They also include preregistered returns where the absolute amounts are known.

Note 4.4 Provisions

Provisions in LEO Pharma are mainly assessed for sales deductions, product returns, restructuring programs, legal disputes and onerous contracts.

(DKK million)	Sales deductions	Product returns	Employee-related provisions	Other provisions	2024 Total	2023 Total
Provisions at January 1	644	164	131	117	1,056	1,269
Exchange rate adjustment	28	8	5	(5)	36	(10)
Additions	1,854	127	302	144	2,427	1,675
Utilization	(1,484)	(35)	(95)	(87)	(1,701)	(1,458)
Reversals	(269)	(11)	(36)	(31)	(347)	(336)
Transfer	-	-	-	-	-	(84)
Provisions at December 31	**773**	**253**	**307**	**138**	**1,471**	**1,056**
Of which classified as:						
Non-current liabilities	1	59	183	64	307	131
Current liabilities	772	194	124	74	1,164	925
Provisions at December 31	**773**	**253**	**307**	**138**	**1,471**	**1,056**

Sales deductions and product returns are expected to be settled within a period of 1-2 years from delivery of the related products.

In 2024, LEO Pharma announced a restructuring program, recognized under additions to employee-related provisions, of DKK 274m. Employee-related provisions are expected to be realized in 2025-2026.

Accounting policies

Provisions are recognized when the Group has a legal or a constructive obligation as a result of past events and it is probable that there may be an outflow of economic resources to settle the obligation. Provisions are measured as the best estimate of the costs expected to settle the liabilities at the balance sheet date.

Provisions mainly consist of sales deductions, product returns, restructuring, legal disputes and onerous contracts.

Provisions for unsettled sales deductions and product returns where the timing and amount are uncertain are recognized at the time the related revenue is recognized.

Sales deductions and returns where absolute amounts are known are recognized as other payables.

Provisions for restructuring mainly include employee-related costs. These are recognized when a constructive obligation exists, detailed restructuring plans are in place and a valid expectation of those affected has been raised.

Other provisions consist of provisions for legal disputes, onerous contracts and other restructuring provisions.

Key accounting estimates

Provisions for sales deductions
Provisions for sales deductions represent estimates of the related obligations. Management's estimate of sales discounts and rebates is based on a calculation that includes a combination of historical utilization data, and expectations in relation to the development in sales and rebate rates. Furthermore, specific circumstances regarding the different programs are considered.

Sales discounts and rebates are predominantly issued in the U.S. in connection with various commercial arrangements, managed healthcare organizations, co-pay arrangements and government programs such as Medicaid and Medicare. Estimates for these programs are most at risk of material adjustment because of the extensive time delay between recording the provision and its final settlement.

5 Capital structure and financing

Note 5.1 Financial income and expenses

The Group's interest expenses decreased in 2024 as a result of a loan from related parties being converted to equity in late 2023 and reduced expenses related to fair value adjustment of cash-settled share-based incentive programs, offset by increased interest expenses to financial institutions.

Total interest expenses on financial liabilities measured at amortized cost were DKK 744m (2023: DKK 884m), and other financial expenses primarily comprised commitment fees related to the syndicated facility agreement.

Financial income and expenses

(DKK million)	2024	2023
Interest income	32	11
Gain arising on forward foreign exchange contracts	61	-
Interest hedges	22	-
Other financial income	17	36
Financial income	**132**	**47**
Interest expenses, related parties	-	175
Interest expenses, credit institutions	734	647
Interest expense on lease liabilities	10	10
Loss arising on forward foreign exchange contracts	-	7
Fair value adjustment of cash-settled share-based incentive programs	25	156
Foreign exchange loss, net	69	44
Other financial expenses	108	101
Financial expenses	**946**	**1,140**

§ Accounting policies

Financial income and expenses comprise interest, realized and unrealized exchange rate adjustments, fair value adjustment of cash-settled share-based incentives programs, and fair value adjustments of financial assets and liabilities.

Fair value adjustments of currency derivatives reclassified from other comprehensive income and fair value adjustments recognized for fair value hedges are presented under Gain arising on forward foreign exchange contracts in financial income or Loss arising on forward foreign exchange contracts in financial expenses.

Interest income and expenses from financial assets and liabilities are calculated using the effective interest method. For instance, the value of a loan, which includes any potential establishment costs, is measued at amortized cost and serves as the basis for calculating the reported interest.

Note 5.2 Financial risks

LEO Pharma's worldwide operations, investments and financing activities expose the Group to a variety of financial risks. The Group's overall risk management programs focus on the credit risk associated with trade receivables and the unpredictability of financial markets, and seek to minimize the potential adverse effects on the Group's financial performance. Financial risk management is undertaken by the Group's Treasury department, subject to the objectives and policies approved by the Board of Directors. The Treasury policies cover funding, trade credit, foreign exchange and interest risks. The Group uses derivative financial instruments to hedge some risk exposures. The use of derivative financial instruments for speculative purposes is prohibited. The Treasury policies were updated in 2024 with regard to interest interest exposure and interest hedging.

Financial risk	Exposure	Risk management policy	Mitigating actions in 2024	Risk
Credit risk	• The exposure arises primarily from trade receivables	• The Group's credit policy defines credit terms for sales • Credit management is governed by Group Treasury	• Credit rating of customers • Non-recourse factoring program	Low
Liquidity risk	• Loans and credit facilities • Loan covenant on EBITDA for selected established brands in the product portfolio	• The Group's funding policy regulates minimum available liquidity and potential refunding processes for loan facilities	• Diversified funding portfolio (syndicated, mortgage, bank loans)	Medium
Interest rate risk	• The main loans and credit facilities are regulated at floating interest rates • Net interest-bearing debt (NIBD)	• The Group's interest hedging policy defines the fixed interest duration on future NIBD and reduces the risk of volatile interest expenses	• Portfolio of interest rate swaps and interest collars	Low
Foreign exchange risk	• Based on the Group's revenue and cost structure, the primary foreign exchange exposures are related to USD, CAD, GBP and CNY On a standalone basis, EUR represents a significant exposure in terms of transaction volume, without material impact on the Group's risk exposure • External financing is denominated in DKK	• The Group's hedging policy for foreign exchange rates defines hedging of financial and commercial FX risks to reduce the potential adverse short-term (up to 15 months) impact of FX fluctuation on operational cash flow	• Ongoing hedge of substantial proportions of expected net cash flow in foreign currencies, to secure the EBITDA contribution of the material currencies for the next 15 months. • Review of minor currencies	Low

Credit risk

Credit risk primarily refers to the potential losses or reduction in cash flow in the event that customers are unable to fulfill their obligations in a timely manner.
LEO Pharma´s trade receivables are spread across many counterparties and customers, the Group therefore has no significant concentration of credit risk.

For selected global customers, LEO Pharma has implemented a non-recourse factoring program that includes a credit insurance component. At year-end, the Group had settled trade receivables, without recourse, with due dates after December 31, totaling DKK 354m (2023: DKK 374m). Historically, realized losses on trade receivables have been insignificant. Please refer to Note 4.1 Trade receivables.

A financial counterparty risk also arises when Group entities hold deposits at financial institutions. To mitigate this risk, surplus cash positions in the subsidiaries are centralized by Treasury and held in the current accounts of subsidiaries. If a financial institution has a rating below Investment grade, Group Treasury adopts a stricter policy of maintaining the lowest possible bank balance.

Temporary cash positions and transactions involving derivative financial instruments, which potentially can hold a positive value, are exclusively conducted with banks that participate in the Group's syndicated loan facility.

Note 5.2 Financial risks (continued)

Liquidity risk

The Group maintains a financial reserve to cover contractual obligations, and holds sufficient liquidity reserves and available resources to explore investment opportunities.

Liquidity reserves

The Group's liquidity reserves at December 31

(DKK million)	2024	2023
Cash and cash equivalents	227	216
Unused financing facilities	3,920	4,074
Total	**4,147**	**4,290**

Financing facilities
In 2023, the Group renegotiated the loan terms for the existing syndicated facility, resulting in both an increase in the available credit facility of DKK 1,500m and improved loan terms. The improvements included a decrease in the effective interest rate during the lifetime of the new arrangement as well as a postponement of the loan termination date to January 1, 2029. The renegotiated terms were not assessed to be substantially different to the previous loan terms, as the fair value of the liability before and after the modification was not significantly changed. Under IFRS 9, a gain or loss is recognized equal to the difference between the present value of the cash flows under the original and modified terms, discounted at the original effective interest rate. A gain of DKK 15m was recognized as a result of the modification. Fees of DKK 34m relating to the modification have been capitalized on the liability and amortized in financial expenses over the extended lifetime of the facility.

The Group's syndicated facilty agreement includes loan covenant terms. The loan covenant includes financial metrics linked to EBITDA for selected established brands in the product portfolio. EBITDA for selected established brands is measured quarterly to ensure ongoing compliance. As at December 31, the carrying amount of loans subject to this covenant was DKK 8,678m (2023: DKK 8,434m).

Based on the Group's financial plans and strategy for the coming financial year, LEO Pharma's Management does not anticipate any difficulties in meeting the covenant over the next 12 months.

LEO Pharma has consistently met all covenant requirements through the year.

Note 5.2 Financial risks (continued)

Borrowing proceeds

	2024					2023					
(DKK million)	Borrowings, January 1	Proceeds	Repayments	Other non-cash items	Borrowings, December 31	Borrowings, January 1	Proceeds	Repayments	Debt conversion	Other non-cash items	Borrowings, December 31
Loans and credit institutions	10,669	1,390	(1,160)	17	10,916	8,776	2,750	(819)	-	(38)	10,669
Lease liabilities	325	-	(110)	31	246	442	-	(115)	-	(2)	325
Loan from related parties	-	-	-	-	-	5,395	-	-	(5,555)	160	-
Total borrowings	**10,994**	**1,390**	**(1,270)**	**48**	**11,162**	**14,613**	**2,750**	**(934)**	**(5,555)**	**120**	**10,994**
Of which											
Classified as non-current					10,578						10,642
Classified as current					584						352

Other non-cash items mainly comprise accrued interest expenses and amortization of costs and fees that are directly attributable to recognition of loans and exchange rate adjustments.

Contractual maturity analysis for financial liabilities

	2024				2023			
(DKK million)	Contractual amount	Less than 1 year	1-5 years	More than 5 years	Contractual amount	Less than 1 year	1-5 years	More than 5 years
Loans and credit institutions	13,683	531	10,574	2,578	14,455	702	2,404	11,349
Lease liabilities	262	89	149	24	325	119	179	27
Trade and other payables	3,685	3,685	-	-	3,365	3,365	-	-
Other non-current liabilities	180	-	-	180	178	-	-	178
Total non-derivative financial liabilities	**17,810**	**4,305**	**10,723**	**2,782**	**18,323**	**4,186**	**2,583**	**11,554**
Derivative financial liabilities	**113**	**66**	**47**	**-**	**15**	**15**	**-**	**-**
Total financial liabilities at December 31	**17,923**	**4,371**	**10,770**	**2,782**	**18,338**	**4,201**	**2,583**	**11,554**

The maturity analysis is based on non-discounted contractual cash flows, including interest. Future interest payments are determined based on market expectations at December 31.
The analysis assumes that derivatives will be settled according to their contractual terms.

Note 5.2 Financial risks (continued)

Interest rate risk

LEO Pharma`s major non-current loan related to the syndicated facility has a floating interest rate. Fluctuations in interest rates pose a risk for financial expenses. To mitigate the interest rate risk, LEO Pharma enters into interest rate swaps, caps and collars as hedge instruments, subject to the Treasury policy. The weighted average effective interest rate, including the hedging instruments, for the utilized syndicated facility was 5.56% in 2024 (2023: 6.69%). LEO Pharma designates the hedging instruments for interest rate risk as cash flow hedges. No ineffectiveness was observed in 2024 or 2023. The interest rates on mortgage loans will be renewed in 2027.

Sensitivity analysis for interest rate risk
A 1 percentage point increase in floating interest rates would result in a net increase in interest expenses in the income statement for the year of DKK 19m (2023: DKK 10m) and increase other comprehensive income by DKK 102m (2023: DKK 35m). The calculation applied in the sensitivity analysis is based on LEO Pharma's interest-bearing debt and the change in fair value of the interest hedging instruments as at December 31.

Net interest-bearing debt (NIBD)
The net interest-bearing debt (NIBD) is the interest-bearing liabilities less cash and cash equivalents. The definition of NIBD was refined in 2024. To provide transparency, the Group discloses the comparative figures for 2023 according to the new definition.

(DKK million)	2024	2023
Loans and credit institutions,	10,916	10,669
Lease liabilities	246	325
Other non-current liabilities, interest-bearing	180	178
Cash and cash equivalents	(227)	(216)
Net interest-bearing debt (NIBD)	**11,115**	**10,956**

Other non-current liabilities of DKK 464m in the consolidated balance sheet (2023: DKK 461m) include DKK 180m (2023: DKK 178m) interest-bearing and DKK 284m (2023: DKK 283m) non-interest bearing liabilities.

Interest-bearing loans with banking partners

				2024			
(DKK million)	Currency	Expiry of commitment	Fixed/floating	Weighted avg. effective interest rate (%)	Amortized cost	Nominal value	Fair value
Syndicated facility	DKK	2029	Floating	5.56	8,678	8,737	8,737
Mortgage loans	DKK	2038	Fixed 3-5 years	4.64	1,188	1,200	1,253
Mortgage loans	DKK	2042	Fixed 3-5 years	4.54	1,050	1,065	1,093
Total					**10,916**	**11,002**	**11,083**

				2023			
(DKK million)	Currency	Expiry of commitment	Fixed/floating	Weighted avg. effective interest rate (%)	Amortized cost	Nominal value	Fair value
Syndicated facility	DKK	2029	Floating	7.57	8,434	8,507	8,507
Mortgage loans	DKK	2038	Fixed 3-5 years	4.64	1,186	1,200	1,244
Mortgage loans	DKK	2042	Fixed 3-5 years	4.54	1,049	1,065	1,090
Total					**10,669**	**10,772**	**10,841**

Note 5.2 Financial risks (continued)

Foreign exchange risk

LEO Pharma is exposed to foreign exchange risk, related to commercial transactions, primarily in USD, CAD, GBP and CNY. The Group's general policy is to minimize this exposure by matching inflows and outflows and by hedging a proportion of the unmatched flow, balance and cash positions denominated in foreign currencies according to the Treasury policy.

The Group primarily uses FX forward contracts to hedge cash flows and foreign currency balance sheet items. Cash flow hedges are made on a 15-month rolling basis. LEO Pharma designates foreign exchange derivatives as either cash flow or fair value hedges. Please refer to Note 5.3 Derivative financial instruments.

Sensitivity analysis for foreign exchange risk
The sensitivity analysis below illustrates the potential impact on LEO Pharma's income statement and equity of fluctuations in the key currencies to which LEO Pharma is significantly exposed as at the balance sheet date. The sensitivity analysis assumes an increase of 5% in the key currencies - USD, CAD, CNY and GBP - and assumes that all other variables, including as well as interest rates, remain unchanged. The sensitivity analysis comprises cash and cash equivalents, current receivables, trade payables, current and non-current loans, intercompany balances and forward exchange rate contracts as at December 31.

Foreign currency sensitivity analysis
Sensitivity of an immediate 5% increase in key currencies on December 31, versus DKK:

	2024		2023	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
USD	(11)	-	(5)	(12)
CAD	0	(29)	-	(25)
CNY	(3)	(38)	6	(27)
GBP	(6)	(15)	(5)	(9)

An immediate decrease of 5% would have the opposite impact.

Note 5.3 Derivative financial instruments

Foreign exchange contracts

LEO Pharma hedges the forecast sales and purchases in foreign currency in a layered strategy by covering the net exposure in the first coming quarter by 80% and gradually reducing the cover ratio to 20% for the fifth coming quarter.

Cash flow hedges
Highly probable forecast sales and purchases are essential terms when executing hedge contracts for future cash flows. LEO Pharma performs both quantitative and qualitative assessment of the effectiveness of cash flow hedges. It is expected that the value of the hedged items will change systematically in opposite directions of the value of the cash flow hedge. Hedge effectiveness is assessed both retrospectively and prospectively.

The financial contracts are expected to impact the income statement for the next 15 months as the cash flow hedges mature and the fair value is transferred from other comprehensive income to either financial income or financial expenses. In 2024, no ineffectiveness was observed relating to contracts under hedge accounting. (2023: DKK 4m, recognized in the income statement in financial expenses under loss arising on financial assets and liabilities).

Fair value hedges
In 2024, a fair value gain on forward foreign exchange contracts of DKK 78m was recognized in the income statement under financial income (2023: loss of DKK 19m recognized in financial expenses).

To mitigate the currency risks described in Note 5.2 Financial risks, LEO Pharma has entered into FX forward contracts as hedging instruments, maturing within 15 months from the balance sheet date.

Foreign exchange contracts

	2024			2023		
(DKK million)	**Average hedge rate**	**Contract amount, net***	**Fair value, assets/(liabilities)**	**Average hedge rate**	**Contract amount, net***	**Fair value, assets/(liabilities)**
Cash flow hedges						
CNH	0.96	749	(12)	0,95	546	0
CAD	4.96	572	2	5.06	506	(1)
Other currencies, net	N/A	934	(11)	N/A	822	(2)
Fair value hedges						
USD	6.90	(985)	30	6.85	(501)	(12)
Other currencies, net	N/A	(463)	2	N/A	(364)	0
Foreign exchange contracts at December 31			**11**			**(15)**

* Positive contract amounts represent a sale of currencies vs DKK and negative contract amounts represent a purchase.

Interest rate hedges

	2024				2023		
(DKK million)	**Notional value, active interest hedge**	**Notional value, interest hedge with forward start**	**Average fixed interest rate**	**Fair value, assets/ (liabilities)**	**Notional value, active interest hedge**	**Average fixed interest rate**	**Fair value, assets/ (liabilities)**
Cash flow hedges							
Interest rate swap	2,250	2,000	2.94%	(62)	-	-	-
Cap	-	-	-	-	1,500	0.10%	31
Collar	4,500	500	1.75% - 3.73%	(13)	6,000	1,63%-3,75%	(1)
Total				**(75)**			**30**

The interest rate caps and collars outstandings as at December 31, 2024 are denominated in DKK and mature between 2025 and 2028.

Note 5.3 Derivative financial instruments (continued)

Fair value adjustment

(DKK million)	2024	2023
Cash flow hedge - foreign exchange		
Fair value adjustment for the year recognized in other comprehensive income	(1)	1
Reclassified from equity to the income statement (financial income/expenses)	(17)	12
Cash flow hedge - interest rate		
Fair value adjustment for the year recognized in other comprehensive income	(126)	(94)
Reclassified from equity to the income statement (financial income/expenses)	22	52
Fair value hedge - foreign exchange		
Recognized in the income statement (financial income/expenses)	78	(19)
Adjustment of cash flow hedges in other comprehensive income	**(122)**	**(29)**
Cash flow and fair value hedges recognized in the income statement	**83**	**45**

Accounting policies

Derivative financial instruments
Derivative financial instruments are used to manage the exposure to interest rate and foreign exchange rate risk. On initiation of the contract, LEO Pharma designates each derivative financial contract as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or as a hedge of a future transaction (cash flow hedge).

All contracts are initially recognized at fair value and subsequently remeasured at fair value at the end of the reporting period. The resulting gain or loss is recognized in the income statement immediately, unless the derivative is designated and effected as a cash flow hedging instrument. In this case the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Forward foreign exchange contract assets and liabilities are presented as either other receivables or other payables in the balance sheet.

Hedge accounting
The fair value adjustment of qualifying hedging instruments is recognized in the income statement when the hedging instrument is designated as a fair value hedge.
Value adjustments of the effective part of cash flow hedges are recognized in equity through other comprehensive income. The cumulative value adjustment of these contracts is reclassified from other comprehensive income to financial income/financial expenses in the income statement.

Discontinuation of hedge accounting
When a hedging instrument expires or is terminated but the hedge still meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified to financial income/financial expenses when the forecast transaction is ultimately recognized in the income statement.

If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income statement under financial income or financial expenses.

Note 5.4 Financial assets and liabilities by category

Fair value measurements

The financial assets and liabilities measured or disclosed at fair value can be categorized in the following table of fair value hierarchy:

(DKK million)	Level 1	Level 2	Level 3
2024			
Other financial assets	95	-	-
Derivative instruments	-	49	-
Total financial assets at fair value	**95**	**49**	**-**
Bank loans	-	8,737	-
Mortgage loans	-	2,346	-
Derivative instruments	-	113	-
Total financial liabilities at fair value	**-**	**11,196**	**-**
2023			
Other financial assets	102	-	-
Derivative instruments	-	43	-
Total financial assets at fair value	**102**	**43**	**-**
Bank loans	-	8,507	-
Mortgage loans	-	2,334	-
Derivative instruments	-	28	-
Total financial liabilities at fair value	**-**	**10,869**	**-**

The financial assets and liabilities presented in the balance sheet can be categorized as follows:

(DKK million)	2024	2023
Financial assets		
Cash and bank balances	227	216
Trade and other receivables	2,682	2,513
Other financial assets	99	136
Financial assets at amortized cost	**3,008**	**2,865**
Other financial assets	95	102
Derivative instruments in designated fair value hedging relationship	39	6
Financial assets at fair value through profit or loss	**134**	**108**
Derivative instruments in designated cash flow hedging relationship	10	37
Financial assets at fair value through other comprehensive income	**10**	**37**
Total financial assets	**3,152**	**3,010**

(DKK million)	2024	2023
Financial liabilities		
Trade and other payables	3,685	3,365
Bank loans (current and non-current)	8,678	8,434
Mortgage loans	2,238	2,235
Lease liabilities (current and non-current)	246	325
Other non-current liabilities	464	461
Financial liabilities at amortized cost	**15,311**	**14,820**
Derivative instruments in designated fair value hedge relationship	7	18
Financial liabilities at fair value through profit or loss	**7**	**18**
Derivative instruments in designated cash flow hedging relationship	106	10
Financial liabilities at fair value through other comprehensive income	**106**	**10**
Total financial liabilities	**15,424**	**14,848**

Note 5.4 Financial assets and liabilities by category (continued)

Accounting policies

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition.

Financial assets
Financial securities in LEO Pharma primarily consist of bonds. Investments in bonds are subsequently measured at fair value through profit and loss.

Financial liabilities
LEO Pharma's liabilities to credit institutions and banks are recognized at the borrowing date at fair value of the proceeds received less transaction costs paid. Subsequently, the financial liabilities are measured at amortized cost, corresponding to the capitalized amount calculated using the effective interest rate. The difference between the proceeds and the nominal value is recognized in the income statement throughout the duration of the loan.

Fair value hierarchy
Financial instruments measured at fair value can be divided into three categories:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. If a financial instrument is quoted in a market that is not active, LEO Pharma bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments assumed to be motivated by normal business considerations.

Level 2 Observable input. If an active market does not exist, the fair value of financial instruments is based on observable input for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Forward foreign exchange contracts, interest rate swaps, currency swaps and unlisted bonds are measured according to generally accepted valuation techniques, where market-based parameters are used to measure the fair value.

Level 3 Inputs for assets or liabilities that are not based on observable market data.

Note 5.5 Share capital

The Board of Directors and Executive Management regularly review LEO Pharma's capital and debt structure. The overall goal is to maintain a balance between debt and equity that ensures financial stability and optimizes the company's cost of capital.

2024

The share capital comprises 383,328,975 shares at a nominal value of DKK 1. The share capital is divided into 155,343,654 A-shares and 227,985,321 B-shares. Each A-share carries 10 votes and each B-share carries one vote.

During 2024, a capital increase was recognized related to share-based payments. The capital increase was due to subscription of new B-shares under LEO Pharma's Employee Share Purchase Plan, not actual 'payments'. Please refer to Note 6.2 Share-based payment.

No shares or shareholders have any additional special rights.

2023

The share capital comprised 383,043,887 shares at a nominal value of DKK 1. The share capital was divided into 155,343,654 A-shares and 227,700,233 B-shares. Each A-share carries 10 votes and each B-share carries one vote.

During 2023, capital increases were carried out through a capital injection of DKK 746m and conversion of shareholder loans to equity, increasing the share capital by 62,157,896 shares of DKK 101 per share amounting to DKK 6,300m, including share premium.

Share capital and treasury shares

Number of shares	A-shares	B-shares	Total
2024			
Number of shares at January 1	155,343,654	227,700,233	383,043,887
Capital increase	-	285,088	285,088
Number of shares at December 31	**155,343,654**	**227,985,321**	**383,328,975**
2023			
Number of shares at January 1	125,000,000	195,885,991	320,885,991
Capital increase	30,343,654	31,814,242	62,157,896
Number of shares at December 31	**155,343,654**	**227,700,233**	**383,043,887**

Treasury shares

(DKK million)	2024	2023
Number of treasury shares at January 1	123,745	-
Additions during the year	91,308	123,745
Disposals during the year	(58)	-
Number of treasury shares at December 31	**214,995**	**123,745**

Acquisition of treasury shares relates to employee shares bought back from employees no longer working at LEO Pharma. Total acquired treasury shares during the year amounted to DKK 9m (2023: DKK 8m). As at December 31, the total holding of treasury shares amounted to 0.06% (2023: 0.03%) of the total share capital.

Accounting policies

Equity reserves

Cash flow hedges: Includes the accumulated net change in the fair value of cash flow hedges qualifying for hedge accounting.

Currency translation: Includes foreign exchange differences that arise when translating the financial statements of foreign subsidiaries from their functional currency to the presentation currency of LEO Pharma (DKK). Also includes foreign exchange adjustments of balances that are considered part of the total net investment in foreign entities.

Other capital: Includes fair value adjustment of LEO Pharma's equity-settled share-based payment arrangements.

Treasury shares: Cost of acquisition as well as proceeds from sale of treasury shares are recognized directly in equity as retained earnings.

Note 5.6 Other comprehensive income

Other comprehensive income

	2024				2023			
(DKK million)	**Currency translation**	**Cash flow hedges**	**Retained earnings**	**Total**	**Currency translation**	**Cash flow hedges**	**Retained earnings**	**Total**
Remeasurement of defined benefit pension obligations	-	-	27	27	-	-	(38)	(38)
Foreign exchange adjustments, subsidiaries	(31)	-	-	(31)	(80)	-	-	(80)
Fair value adjustment of cash flow hedges	-	(127)	-	(127)	-	(93)	-	(93)
Cash flow hedges reclassified to financial expenses	-	5	-	5	-	64	-	64
Tax on other comprehensive income	-	27	(4)	23	-	6	8	14
Other comprehensive income/(loss) for the year	**(31)**	**(95)**	**23**	**(103)**	**(80)**	**(23)**	**(30)**	**(133)**

6 Other disclosures

Note 6.1 Management remuneration

Remuneration of the Board of Directors and Executive Management

(DKK million)	Salaries	Bonus	Pensions	Share-based payments	Total remuneration excluding severance payments	Severance payments	Total remuneration after severance payments
2024							
CEO	7	12	1	1	21	-	21
CFO	5	6	1	1	13	-	13
Other members of Global Leadership Team	21	24	3	12	60	6	66
Board of Directors	5	-	-	-	5	-	5
Total	**38**	**42**	**5**	**14**	**99**	**6**	**105**
2023							
CEO	7	8	1	2	18	-	18
CFO	5	4	1	1	11	-	11
Other members of Global Leadership Team	24	23	4	12	63	68	131
Board of Directors	5	-	-	1	6	-	6
Total	**41**	**35**	**6**	**16**	**98**	**68**	**166**

For a list of members of the Board of Directors and Executive Management, please refer to Section 04 Corporate matters: Board of Directors and Global Leadership Team.

Executive Management
Salaries include base salaries and various allowances for car, internet etc. Bonus includes short-term incentives and extraordinary one-off bonuses. The share-based incentive program is linked to successful transformation of the company and an IPO.

Fair value remeasurement of financial liabilities from historical programs (2021-2023) for key management, including Executive Management, totaled DKK 30m (2023: DKK 97m). The total fair value remeasurement of financial liabilities, including employees other than Executive Management, is included in Note 5.1 Financial income and expenses and Note 6.6 Related party transactions.

Board of Directors
Members of the Board of Directors receive fixed remuneration.
Selected members of the Board of Directors have purchased and been awarded warrants as part of the Management Incentive Program totaling DKK 0m (2023: DKK 1m).

Note 6.2 Share-based payment

LEO Pharma offers all employees the opportunity to participate in share-based incentive programs. There is one program covering all employees (Employee Share Purchase Program) and one for selected members of Management (Management Incentive Program).

The intrinsic value at December 31, 2024 of the liability related to vested phantom shares was DKK 186m (2023: DKK 130m). Total expenses recognized in 2024 for share-based payment transactions in the income statement amounted to DKK 69m (2023: DKK 199m), of which DKK 25m was fair value adjustment to the cash-settled program recognized under financial expenses (2023: DKK 156m). The cost of DKK 40m (2023: DKK 27m) arose from equity-settled share-based payment transactions.

Employee Share Purchase Plan (ESPP & EPSPP)

The Group launched voluntary employee share-based programs in both 2022 and 2024, giving employees the opportunity to buy shares ('employee shares'). To participate in the plan, the employees are required to invest 3% of their base salary over 12 months into shares and will receive matching shares at vesting. In addition, employees receive the right to an additional matching share for each employee share bought, subject to continued employment, vesting toward a potential public listing. A further requirement for vesting is a fair value of LEO Pharma of at least the same as the subscription price (2022 program: at least 1.5 times the subsciption price). In the event of non-listing, the shares vest after eight years (2022 program: 10 years) and will be cash-settled. Management considers it more likely than not that a listing will be completed within the coming years, and thus takes into consideration matching shares that would otherwise not be cash-settled as equity-settled programs.

The programs are split into both equity-settled programs (ESPP) and cash-settled programs (EPSPP); the latter are used where there are local restrictions on employee shares or equity-settled programs. Both types follow the same vesting conditions, vesting periods, requirements etc.

Measurement of fair value
The fair value of granted awards is estimated using a binomial valuation model of market conditions considering the terms and conditions upon which the awards were granted, except for vesting conditions. The inputs used in the measurement of the fair values at the grant date of the share-based payment plans and at the reporting date for cash-settled plans were as follows:

Reconciliation of outstanding employee awards

	2024		2023	
Number of matching shares	**ESPP (equity-settled)**	**EPSPP (cash-settled)**	**ESPP (equity-settled)**	**EPSPP (cash-settled)**
Outstanding at January 1	**617,175**	**40,075**	**740,920**	**45,504**
Granted	297,960	29,024	-	-
Forfeited	(104,122)	(4,815)	(123,745)	(5,429)
Outstanding at December 31	**811,013**	**64,284**	**617,175**	**40,075**
Weighted average remaining contractual life (years)	2	2	3	3
Liability at December 31 (DKK million)	**-**	**4**	**-**	**2**

Measurement of fair value of employee matching shares granted during the year

	ESPP (equity-settled)	**EPSPP (cash-settled)**
Date of grant	1/1 2024	1/1 2024
Fair value at grant date (DKK/share)	92.33	92.33
Expected volatility (weighted average)	28.4%	28.4%
Expected life (years, weighted average)	3	3
Expected dividend	-	-
Risk-free interest rate	1.78 - 2.17%	1.78 - 2.17%

Note 6.2 Share-based payment (continued)

Management Incentive Program (MIP & MIP Phantom)

Members of Management receive warrants as a part of their long-term incentive program. They must remain employed by the Group until the vesting date. The market condition of the warrants stipulates a fair value increase in LEO Pharma shares of at least 1.5 times the subscription price and an exercise cap of three times the subscription value. In the event of non-listing, the warrants become exercisable after seven years and will be cash-settled. Management considers it more likely than not that a listing will be successful within the coming years. It is therefore concluded that the warrants should be classified as equity-settled.

The programs are split into both equity-settled programs (MIP) and cash-settled programs (MIP Phantom); the latter are used where there are local restrictions on employee shares or equity-settled programs. Both types follow the same vesting conditions, vesting periods, requirements etc.

Measurement of fair value
The fair value of awards is estimated using a binomial valuation model of market conditions taking into account the terms and conditions. Expected volatility has been based on an evaluation of the historical volatility of comparable companies' share prices. This was based on a standard deviation of weekly returns over a five-year period. The expected term of the instruments has been based on projected exit date and probabilities and estimates assessed by Management.

Accounting policies

For equity-settled share-based payment arrangements, the warrants and shares granted are measured at fair value at grant date and recognized as employee costs over the vesting period with a corresponding entry in equity reserves. On initial recognition, an estimate is made of the number of awards expected to vest. Subsequently, the amount recognized is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met and awards expected to vest.

For cash-settled share-based payment arrangements, the awards measured at grant value are recognized as employee costs over the vesting period against a liability in the balance sheet. The liability is remeasured at each reporting date and ultimately at settlement date at fair value. Any changes in the liability as a result of the remeasurement to fair value are recognized in the income statement under financial expenses.

Reconciliation of outstanding Management awards

		2024		2023	
Number of warrants	**Average exercise price (EUR)**	**MIP (equity-settled)**	**MIP Phantom (cash-settled)**	**MIP (equity-settled)**	**MIP Phantom (cash-settled)**
Outstanding at January 1	6.42	6,252,300	5,017,258	5,016,838	5,101,250
Granted	6.42	750,000	-	2,016,905	200,000
Forfeited	6.42	(411,859)	(221,074)	(781,443)	(283,992)
Outstanding at December 31	**6.42**	**6,590,441**	**4,796,184**	**6,252,300**	**5,017,258**
Number exercisable at December 31		-	-	-	-
Weighted-average remaining contractual life (years)		2	2	3	3
Liability at December 31 (DKK million)		**-**	**225**	**-**	**198**

Measurement of fair value of Management awards granted during the year

	MIP (equity-settled)
Date of grant	1/1 2024
Fair value at grant date (DKK/share)	43.26 to 44.45
Expected volatility (weighted average)	28.4%
Expected life (years, weighted average)	3
Expected dividend	-
Risk-free interest rate	1.78% - 2.17%

Note 6.3 Guarantees, contingencies and commitments

Guarantees

The majority of the guarantees in LEO Pharma pertain to guarantees issued to banks providing financing to LEO Pharma. The total guarantee commitments for LEO Pharma amounted to DKK 110m at December 31, 2024 (2023: DKK 114m).

Contractual obligations and commitments

The table below shows contractual obligations not recognized in the consolidated financial statements.

(DKK million)	2024	2023
Intangible assets	92	429
Property, plant and equipment	39	130
Total	**131**	**559**

The commitments related to intangible assets comprise milestone payments concerning the development of new products and intellectual property rights from acquisitions. Commercial milestones, royalties and other payments based on a percentage of sales generated from sales of goods following marketing approval are excluded from the contractual commitments because of their contingent nature related to future sales.

The commitments regarding property, plant and equipment relate primarily to the expansion of production facilities.

LEO Pharma has agreements with a number of Contract Manufacturing Organizations (CMOs), whereby these organizations provide API and other materials for LEO Pharma's products based on forecasts from LEO Pharma. Should actual market demand fall short of these forecasts provided to CMOs, LEO Pharma is obligated to pay for any surplus materials from the CMOs or fees for excess capacity reservation.

LEO Pharma's Management continuously evaluates demand forecasts. If materials at CMOs exceed the volumes expected to be used or the capacity reserved exceeds submitted forecasts, LEO Pharma recognizes a provision.

Pending lawsuits

At the end of 2024, there were pending lawsuits filed by and against LEO Pharma concerning rights and claims related to products in LEO Pharma's portfolio. LEO Pharma does not expect these or other pending cases to have any significant effect on the Group's financial position.

LEO Pharma is involved in a number of legal proceedings. In the opinion of Management, the outcome of these proceedings is not currently assessed to have a material impact on the financial position or cash flows. Such proceedings may, however, develop over time, and new proceedings may occur which could have a material impact on LEO Pharma's financial position and/or cash flows.

Tax

As a global business, LEO Pharma will from time to time have tax audits, and engages in discussions with tax authorities in various jurisdictions on a range of tax matters, transfer pricing and indirect taxes.

Note 6.4 Fees to statutory auditors

Fees to statutory auditors

(DKK million)	2024	2023
Statutory audit	8	8
Other assurance services	0	0
Tax advisory services	4	1
Other services	1	1
Total	**13**	**10**

Note 6.5 Other cash flow specifications

(DKK million)	2024	2023
Other non-cash adjustments:		
Gain/(loss) on sale of non-current assets	(3)	(2)
Change in provisions	415	(215)
Change in other non-current liabilities	3	286
Change in provision for defined benefit plans	(63)	5
Change in inventory write-downs	(93)	37
Change in provision for bad debt	1	(11)
Share-based payments	14	(129)
Other non-cash adjustments	45	(19)
Total	**319**	**(48)**
Change in working capital		
Change in inventories	(15)	(323)
Change in receivables, prepaid expenses etc.	(180)	94
Change in trade payables and other payables	669	(280)
Total	**474**	**(509)**

Note 6.6 Related party transactions

Transactions with related parties

(DKK million)	2024	2023
LEO Foundation		
Interest payment by LEO Pharma	-	(18)
Other income	0	0
LEO Holding A/S		
Conversion of shareholder loan to equity	-	5,555
Capital increase	-	596
Tax settlement	171	5
Interest payment by LEO Pharma	-	(158)
Receivables regarding joint taxation	351	171
Nordic Capital (Cidron Savanna 4 SARL)		
Capital increase	-	149
Board of Directors		
Reimbursement of travel expenses etc.	(1)	(1)
Purchased and awarded warrants	-	(1)
Other expenses	(1)	0

LEO Pharma A/S's controlling owner, LEO Holding A/S and the ultimate parent of the Group, the LEO Foundation, own 81.1% of the share capital (96% of the votes). Nordic Capital, through Cidron Savanna 4 SARL, owns 18.9% of the share capital, representing 4% of the voting rights.

The LEO Pharma Group is included in the consolidated financial statements of the LEO Foundation.

LEO Pharma owns 22% of the voting shares in Skinvision B.V. and thus has significant influence over this company. The investment is classified as an associate in the consolidated financial statements. There were no transactions with Skinvision B.V. in 2024 or 2023.

LEO Pharma A/S' related parties also comprise the members of the LEO Foundation's Board of Trustees and Executive Board, and of LEO Pharma A/S' and LEO Holding A/S' Board of Directors and Executive Management, as well as close relatives of these persons.

Selected members of the Board of Directors have purchased and been awarded warrants as part of the Management Incentive Program Purchase totaling DKK 0m (2023: DKK 1m).

Please refer to Note 6.1 Management remuneration and Note 6.2 Share-based payment regarding other transactions with the Board of Directors.

Note 6.7 Events after the balance sheet date

On January 11, 2025, LEO Pharma announced that the Group had entered into a strategic partnership with Gilead, to accelerate development of LEO Pharma's STAT6 program. The upfront payment received in January 2025 amounted to DKK 1.8bn (USD 250m).

No other significant events have occurred after the balance sheet date.

Note 6.8 Company overview

			Activities			
	Country	Share of ownership (%)	Sales and distribution	Production	Marketing & services	Other
Parent Company						
LEO Pharma A/S	Denmark		●	●	●	●
Subsidiaries						
SARL LEO Pharma[1]	Algeria	100			●	
LEO Pharma Pty Ltd	Australia	100	●			
LEO Pharma GmbH	Austria	100	●			
LEO Pharma N.V.	Belgium	100	●			
LEO Pharma LTDA	Brazil	100	●			
LEO Pharma Inc.	Canada	100	●			
LEO Pharma Consultancy Company Ltd.	China	100			●	
LEO Pharma Trading Company Ltd.	China	100	●			
LEO Pharma s.r.o.	Czech Republic	100			●	
Løvens Kemiske Fabriks Handelsaktieselskab	Denmark	100				●
LEO Pharma OY	Finland	100	●			
Laboratoires LEO S.A.S	France	100	●	●		
LEO Pharma GmbH	Germany	100	●			
LEO Pharmaceutical Hellas S.A.	Greece	100	●			
DKLEO Pharma Private Limited[1]	India	100				●
LEO Laboratories Ltd.	Ireland	100	●	●		
Wexport Ltd.	Ireland	100		●		
LEO Pharma Holding Ltd.	Ireland	100				●
LEO Pharma Manufacturing Italy S.R.L.	Italy	100		●		
LEO Pharma S.p.A.	Italy	100	●			

Note 6.8 Company overview (continued)

			Activities			
	Country	**Share of ownership (%)**	**Sales and distribution**	**Production**	**Marketing & services**	**Other**
LEO Pharma K.K.	Japan	100	●			
LEO Pharmaceuticals, S. de R.L. de C.V.	Mexico	100	●			
LEO Pharma LLC[1]	Morocco	100			●	
LEO Pharma BV	Netherlands	100	●			
LEO Pharma Ltd.	New Zealand	100	●			
LEO Pharma AS	Norway	100	●			
LEO Pharma Sp. z o.o.	Poland	100			●	
LEO Pharma Global Business Service Center Sp. z o.o.	Poland	100				●
LEO Farmacêuticos Lda.	Portugal	100	●			
LEO Pharmaceutical Products LLC	Russia	100	●			
LEO Pharma Yuhan Hoesa	South Korea	100	●			
Laboratorios LEO Pharma S.A.	Spain	100	●			
LEO Pharma AB	Sweden	100	●			
LEO Pharmaceutical Products Sarath Ltd.	Switzerland	100	●			
LEO Pharma SARL[1]	Tunisia	100	●			
LEO Laboratories Ltd.	United Kingdom	100	●			
LEO Pharma Inc.	USA	100	●			
Timber Pharmaceuticals Inc.	USA	100				●
LEO US Holding Inc.	USA	100				●
Associates						
SkinVision B.V.	Netherlands	22				●

1) Under liquidation.

08. Statements

Statement of the Board of Directors and Executive Management

The Board of Directors and Executive Management have today considered and adopted the Annual Report of LEO Pharma A/S for the financial year January 1 – December 31, 2024.

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act. The Parent Company's financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the financial position, assets and liabilities at December 31, 2024, and results of operations and cash flows for 2024 of the LEO Pharma Group and the Parent Company.

We believe that the Management's review gives a true and fair view of the developments in the Group's and the Parent Company's activities and business, the results for the year and the financial position of the Group and the Parent Company as well as describing the most significant risks and uncertainties that may affect the Group and the Parent Company.

We believe that the Consolidated Sustainability and Environmental, Social and Governance (ESG) review in accordance with the presented related ESG accounting policies gives a reasonable and fair presentation and view of the Group's environmental, social and governance (ESG) performance. We recommend that the Annual Report 2024 be adopted at the Annual General Meeting.

Ballerup, February 25, 2025

Registered Executive Management:

Christophe Bourdon
CEO

Philip Eickhoff
CFO

Board of Directors:

Jesper Brandgaard
Chair

Paul Navarre
Vice Chair

Henrik Bo Andersson

Signe Maria Christensen

Lars Green

Peter Haahr

Jannie Kogsbøll

Franck Maréno

Raj Shah

Elisabeth Svanberg

Independent Auditor's report

To the shareholders of LEO Pharma A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of LEO Pharma A/S for the financial year January 1, 2024 – December 31, 2024, which comprise the income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2024, and of the results of its operations and cash flows for the financial year January 1, 2024 December 31, 2024 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Furthermore, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at December 31, 2024, and of the results of its operations for the financial year January 1, 2024 - December 31, 2024 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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.

Statement on the Management's review
Management is responsible for the management review.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent 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 review provides the information required by relevant laws and regulations.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the information required by relevant laws and regulations. We did not identify any material misstatement of the management review.

Management's Responsibilities for the consolidated financial statements and the Parent company's financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated financial statements and the Parent company's financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements and the parent financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, February 25, 2025

Deloitte
Statsautoriseret Revisionspartnerselskab CVR No. 33963556

Anders Vad Dons
State Authorised Public Accountant
Identification No (MNE) mne25299

Niels Skannerup Vendelbo
State Authorised Public Accountant
Identification No (MNE) mne34532

Independent Auditor's Limited Assurance Report on the selected ESG data

To the stakeholders of LEO Pharma A/S

LEO Pharma A/S has engaged us to provide limited assurance on selected ESG data for the financial year January 1, 2024 - December 31. 2024. The selected ESG – data is marked with "☑" (Limited assurance is provided) on pages 48-61, in the section 05. Sustainability statement.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information, and accordingly, we do not express an opinion on this information.

Management's responsibility
Management is responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the ESG data, ensuring it is free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective accounting policies for the preparation of the ESG data, for the overall content of the ESG statement, and for measuring and reporting ESG data in accordance with the accounting policies presented on page 63-65.

Auditor's responsibility
Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and in respect of the greenhouse gas emissions, in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion. Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Summary of work performed
In obtaining limited assurance over the ESG data our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance. The procedures performed in connection with our limited assurance engagement are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the sustainability statement.

As part of our examination, we have:

- conducted interviews with data owners and internal stakeholders to understand the key processes and control activities for measuring, recording and reporting the selected ESG data;
- reviewed evidence on a selective basis to check that data has been appropriately measured, recorded, collated and reported;
- performed analytical review of the data and trends to identify areas with significant risk of misleading or unbalanced information and obtained an understanding of any explanations provided for significant variances;
- considered the presentation and disclosure of the selected ESG data;
- assessed that the process for reporting greenhouse gas emissions data follows the principles of relevance, completeness, consistency, transparency and accuracy outlined in The Greenhouse Gas Protocol Corporate Standard Revised edition (2015); and
- evaluated the evidence obtained.

Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us not to believe that the selected ESG data marked with "☑" (Limited assurance is provided) for the year ended December 31, 2024, has been prepared, in all material respects, in accordance with the accounting policies on pages 63 to 65 in the section 05. Sustainability statement.

Copenhagen, February 25, 2025

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Anders Vad Dons
State Authorised Public Accountant
Identification No (MNE) mne25299

Niels Skannerup Vendelbo
State Authorised Public Accountant
Identification No (MNE) mne34532

07. Parent Company financial statements

Income statement

January 1 - December 31

(DKK million)	Note	2024	2023
Revenue	2.1	13,298	11,497
Cost of sales	2.2, 3.2, 4.2	(9,359)	(7,980)
Gross profit		**3,939**	**3,517**
Sales and distribution costs	2.2, 3.1, 3.2	(4,038)	(4,560)
Research and development costs	2.2, 3.1, 3.2	(2,102)	(1,949)
Administrative costs	2.2, 3.1, 3.2, 6.1	(880)	(1,222)
Other operating income, net		2	38
Operating profit/(loss)		**(3,079)**	**(4,176)**
Income from investments in subsidiaries	3.3	1,256	1,822
Financial income	5.1	253	126
Financial expenses	5.1	(925)	(1,162)
Profit/(loss) before tax		**(2,495)**	**(3,390)**
Income tax	2.3	694	(250)
Net profit/(loss) for the year		**(1,801)**	**(3,640)**

Balance sheet

at December 31

(DKK million)	Note	2024	2023
Assets			
Intangible assets	3.1	4,786	5,935
Property, plant and equipment	3.2	2,598	2,639
Investments in subsidiaries	3.3	5,456	4,256
Deferred tax assets	6.2	746	373
Pensions		11	14
Other financial assets		194	49
Non-current assets		**13,791**	**13,266**
Inventories	4.1	2,982	3,227
Loans to subsidiaries		1,478	1,455
Trade receivables		604	484
Receivables from subsidiaries		554	630
Tax receivables		398	207
Other receivables		215	219
Prepaid expenses		148	261
Other securities		0	189
Cash		16	1
Current assets		**6,395**	**6,673**
Assets		**20,186**	**19,939**

(DKK million)	Note	2024	2023
Equity and liabilities			
Share capital		383	383
Net revaluation, subsidiaries		4,048	2,877
Reserves		661	976
Retained earnings		(2,450)	252
Equity		**2,642**	**4,488**
Loans and credit institutions	5.2	10,414	10,404
Provisions	3.5	70	30
Tax payables		65	130
Other non-current liabilities		389	357
Non-current liabilities		**10,938**	**10,921**
Loans and credit institutions	5.2	406	230
Trade payables		801	652
Provisions	3.5	114	86
Loans from subsidiaries		1,266	327
Payables to subsidiaries		2,639	2,059
Tax payables		65	188
Other payables	4.2	1,315	988
Current liabilities		**6,606**	**4,530**
Liabilities		**17,544**	**15,451**
Equity and liabilities		**20,186**	**19,939**

Statement of changes in equity

January 1 - December 31

	2024							2023						
			Reserves							Reserves				
(DKK million)	Share capital	Net revaluation, subsidiaries	Cash flow hedges	Other capital	Development projects	Retained earnings	Total	Share capital	Net revaluation, subsidiaries	Cash flow hedges	Other capital	Development projects	Retained earnings	Total
Equity at January 1	383	2,877	20	61	895	252	4,488	321	9,869	43	34	1,155	(9,480)	1,942
Net profit/(loss) for the year	-	1,256	-	-	-	(3,057)	(1,801)	-	1,822	-	-	-	(5,462)	(3,640)
Foreign exchange rate adjustment, subsidiaries	-	(31)	-	-	-	-	(31)	-	(80)	-	-	-	-	(80)
Dividend received from subsidiaries	-	(51)	-	-	-	51	-		(8,649)				8,649	-
Other movements in subsidiaries	-	(29)	-	-	-	29	-	-	(61)	-	-	-	61	-
Capitalized development costs, net	-	-	-	-	(258)	258	-	-	-	-	-	(260)	260	-
Deferred gains/(losses) on financial instruments	-	-	(122)	-	-	-	(122)	-	-	(29)	-	-	-	(29)
Remeasurement of defined benefit obligations	-	31	-	-	-	(4)	27	-	(30)	-	-	-	(8)	(38)
Tax on changes in equity	-	(5)	27	-	-	1	23	-	6	6	-	-	2	14
Transactions with owners														
Capital increase	0	-	-	-	-	29	29	62	-	-	-	-	6,238	6,300
Purchase of treasury shares	-	-	-	-	-	(9)	(9)	-	-	-	-	-	(8)	(8)
Share-based payment	-	-	-	38	-	-	38	-	-	-	27	-	-	27
Total transactions with owners	**0**	**-**	**-**	**38**	**-**	**20**	**58**	**62**	**-**	**-**	**27**	**-**	**6,230**	**6,319**
Equity at December 31	**383**	**4,048**	**(75)**	**99**	**637**	**(2,450)**	**2,642**	**383**	**2,877**	**20**	**61**	**895**	**252**	**4,488**

Notes to the Parent Company financial statements

1 Basis of reporting

Note 1.1 Accounting policies

Basis of preparation
The Parent Company's financial statements are presented in accordance with the Danish Financial Statements Act for companies in reporting class C (large).

Adjustment to prior year
LEO Pharma A/S has updated the inventory value related to capitalized purchase price variances and direct and indirect production costs presented in the balance sheet in 2023. The updated assessment impacts the following line items in the Parent financial statements:

- Assets: Investments in subsidiaries increased from DKK 4,053m to DKK 4,256m
- Assets: Inventories decreased from DKK 3,430m to DKK 3,227m
- Equity: Net revaluation, subsidiaries increased from DKK 2,674m to DKK 2,877m
- Equity: Retained earnings decreased from DKK 455m to DKK 252m
- Income statement: Cost of sales decreased from DKK 8,018m to DKK 8,011m
- Income statement: Income from investments in subsidiaries decreased from DKK 1,829m to DKK 1,822m.

LEO Pharma has updated the assessment of the functional split of costs in the income statement. LEO Pharma's Management believes that these updates improve the comparability of our financial statements and align our reporting practice with industry standards and best practices. The updated allocation of operational costs among the functions impacts the following line items in the income statement for 2023:

- Cost of sales decreased from DKK 8,011m to DKK 7,980m
- Sales and distribution costs increased from DKK 4,368m to DKK.4,560m
- Research and development costs increased from DKK 1,718m to DKK 1,949m
- Administrative costs decreased from DKK 1,614m to DKK 1,222m.

The reassessment has no impact on the operating profit/(loss).

Accounting policies

The accounting policies of the Parent Company are consistent with the accounting policies of the Group, except for IFRS 16 Leases and the treatment of goodwill. In addition, the policies described below have been implemented for the Parent Company. The accounting policies are unchanged from last year.

Genaral information
In accordance with the exemption clauses in Section 86(4) and Section 96(3) of the Danish Financial Statements Act, no separate cash flow statement or disclosure of audit fee has been prepared for the Parent Company.

Goodwill
Goodwill is measured at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method over the expected useful life, estimated at 15 years. This estimate was made on the basis of the estimated useful lives of the other assets acquired in the transaction.

Investments in subsidiaries
In the Parent Company's financial statements, investments in subsidiaries and associates are recognized according to the equity method. The share of the results of subsidiaries less unrealized intra-group gains is recognized in the Parent Company's income statement. Net revaluation of investments in subsidiaries exceeding the dividend declared by such companies is recognized in equity as reserve for net revaluation according to the equity method.

Tax
The Parent Company, the Danish subsidiary and LEO Holding A/S are jointly taxed. The Parent Company and its Danish subsidiary settle the tax with the owner and the administration company, LEO Holding A/S. The current Danish tax is allocated between the jointly taxed companies in proportion to their taxable income.

Equity, reserve for development costs
The reserve for internal development costs comprises capitalized development costs. This reserve cannot be used for dividends or distributions or to cover losses. If the recognized development costs are sold or otherwise excluded from the company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognized development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortization of capitalized development costs on an ongoing basis.

2 Operating profit

Note 2.1 Revenue

The specific regions presented below in the geographical revenue split are based on the Group's model in the consolidated financial statements.

(DKK million)	2024	2023
Revenue by region		
Europe	8,595	7,688
North America	2,319	1,511
Rest of world	2,384	2,298
Total	**13,298**	**11,497**
Revenue by category		
Products	12,897	11,076
Sales-based royalties	401	421
Total	**13,298**	**11,497**

Note 2.2 Employee costs

For a description of the Parent Company's remuneration of the Board of Directors and Executive Management, please refer to Note 2.2 Employee costs and Note 6.1 Management remuneration in the consolidated financial statements.

(DKK million)	2024	2023
Wages and salaries	1,112	1,239
Pensions	108	125
Share-based payment	32	31
Social security expenses	9	27
Other employee expenses	31	38
Total employee costs for the year	**1,292**	**1,460**
Of which capitalized as intangible assets	(19)	(28)
Total employee costs in the income statement	**1,273**	**1,432**
Employee costs included in:		
Cost of sales	276	244
Sales and distribution costs	163	195
Research and development costs	314	498
Administrative costs	520	495
Total	**1,273**	**1,432**
Average number of full-time employees	**1,189**	**1,410**

Note 2.3 Tax

(DKK million)	2024	2023
Current tax for the year	349	172
Change in deferred tax	373	(462)
Prior-year adjustments, current tax	0	(2)
Prior-year adjustments, deferred tax	0	50
Total tax income/(expense) for the year	**722**	**(242)**
Tax for the year is included in:		
Tax on profit/(loss) for the year	694	(250)
Tax on changes in equity	28	8
Total tax income/(expense) for the year	**722**	**(242)**

(DKK million)	2024	2023
Deferred tax assets/(liabilities) at January 1	373	785
Adjustment relating to previous years	0	50
Deferred tax on other comprehensive income	5	(1)
Deferred tax on profit for the year	368	(461)
Deferred tax assets/(tax liabilities) at December 31	**746**	**373**

Note 2.4 Proposed distribution of net profit/(loss) for the year

(DKK million)	2024	2023
Net revaluation for the year	1,256	1,822
Retained earnings	(3,057)	(5,462)
Total	**(1,801)**	**(3,640)**

3 Invested capital

Note 3.1 Intangible assets

	2024					2023				
(DKK million)	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**
Cost at January 1	192	13,912	2,885	209	17,198	192	13,912	2,594	655	17,353
Additions	-	-	-	153	153	-	-	-	63	63
Disposals	-	-	(388)	(104)	(492)	-	-	(37)	(178)	(215)
Transfers	-	100	37	(137)	-	-	-	328	(331)	(3)
Cost at December 31	**192**	**14,012**	**2,534**	**121**	**16,859**	**192**	**13,912**	**2,885**	**209**	**17,198**
Amortization and impairment losses at January 1	(56)	(9,519)	(1,679)	(9)	(11,263)	(43)	(8,441)	(1,341)	(46)	(9,871)
Amortization	(13)	(737)	(350)	-	(1,100)	(13)	(703)	(375)	-	(1,091)
Impairment	-	-	(4)	(198)	(202)	-	(375)	-	(141)	(516)
Disposals	-	-	388	104	492	-	-	37	178	215
Amortization and impairment losses at December 31	**(69)**	**(10,256)**	**(1,645)**	**(103)**	**(12,073)**	**(56)**	**(9,519)**	**(1,679)**	**(9)**	**(11,263)**
Carrying amount at December 31	**123**	**3,756**	**889**	**18**	**4,786**	**136**	**4,393**	**1,206**	**200**	**5,935**

(DKK million)	**2024**	**2023**
Amortization is specified as follows:		
Cost of sales	31	35
Sales and distribution	759	723
Research and development costs	54	50
Administrative costs	256	283
Total	**1,100**	**1,091**

Please refer to Note 3.1 Intangible assets in the consolidated financial statements.

Note 3.2 Property, plant and equipment

	2024					2023				
(DKK million)	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction**	**Total property, plant and equipment**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction**	**Total property, plant and equipment**
Cost at January 1	1,209	1,407	379	1,767	4,762	1,217	1,540	489	1,641	4,887
Additions	-	-	3	102	105	-	-	3	138	141
Disposals	-	-	(57)	-	(57)	(10)	(138)	(120)	-	(268)
Transfers	-	14	-	(14)	-	2	5	7	(12)	2
Cost at December 31	**1,209**	**1,421**	**325**	**1,855**	**4,810**	**1,209**	**1,407**	**379**	**1,767**	**4,762**
Depreciation and impairment losses at January 1,	(745)	(1,083)	(295)	-	(2,123)	(724)	(1,092)	(367)	-	(2,183)
Disposals	-	-	57	-	57	7	138	106	-	251
Depreciation	(25)	(87)	(24)	-	(136)	(28)	(128)	(33)	-	(189)
Impairment	-	-	(10)	-	(10)	-	(1)	(1)	-	(2)
Depreciation and impairment losses at December 31	**(770)**	**(1,170)**	**(272)**	**-**	**(2,212)**	**(745)**	**(1,083)**	**(295)**	**-**	**(2,123)**
Carrying amount at December 31	**439**	**251**	**53**	**1,855**	**2,598**	**464**	**324**	**84**	**1,767**	**2,639**

(DKK million)	**2024**	**2023**
Depreciation and impairment losses are specified as follows:		
Cost of sales	111	133
Sales and distribution costs	1	2
Research and development costs	25	18
Administrative costs	9	38
Total	**146**	**191**

Fixed assets under construction mainly relate to the construction of a new plant in Ballerup, Denmark, at a carrying amount of DKK 1,843m (2023: DKK 1,746m). The new plant is expected to start production in 2025.

Assets pledged as collateral for loans amounted to DKK 2,502m (2023: DKK 2,503m).

Note 3.3 Investments in subsidiaries

(DKK million)	2024	2023
Cost at January 1	1,379	1,371
Additions	19	-
Disposals	(2)	(1)
Other movements	12	9
Cost at December 31	**1,408**	**1,379**
Value adjustment at January 1	2,877	9,869
Exchange rate adjustment	(31)	(80)
Share of profit/(loss) for the year	1,256	1,822
Dividend	(51)	(8,649)
Other movements	(3)	(85)
Value adjustment at December 31	**4,048**	**2,877**
Carrying amount at December 31	**5,456**	**4,256**

4 Operating assets and liabilities

Note 4.1 Inventories

(DKK million)	2024	2023
Raw materials and consumables	821	845
Work in progress	1,266	1,414
Finished goods and goods for resale	895	968
Total	**2,982**	**3,227**

Note 4.2 Other payables

(DKK million)	2024	2023
Accrued clinical trial expenses	241	173
Employee-related	196	269
Sales deductions	120	91
Financial derivatives	113	30
Accrued interest	88	87
Royalties	74	55
Public authorities	13	-
Accounts and other payables	470	283
Total other payables	**1,315**	**988**

Note 4.3 Provisions

(DKK million)	Employee-related provisions	Other provisions	Sales deductions	2024 Total	2023 Total
Provisions at January 1	42	74	-	116	386
Exchange rate adjustment	2	(1)	-	1	(1)
Additions	58	131	5	194	83
Utilization	(28)	(82)	0	(110)	(224)
Reversals	-	(21)	-	(21)	(87)
Transfer	-	4	-	4	(41)
Provisions at December 31	**74**	**105**	**5**	**184**	**116**
Of which classified as:					
Non-current liabilities	70	-	-	70	30
Current liabilities	4	105	5	114	86
Provisions at December 31	**74**	**105**	**5**	**184**	**116**

5 Capital structure and financing

Note 5.1 Financial income and expenses

(DKK million)	2024	2023
Interest income, related parties	134	96
Other interest income	29	9
Gain arising on forward foreign exchange contracts	61	-
Interest hedges	22	-
Other financial income	7	21
Financial income	**253**	**126**
Interest expenses, related parties	32	282
Interest expenses, credit institutions	732	626
Loss arising on forward foreign exchange contracts	-	7
Fair value remeasurement (non-cash) of share-based incentive plans	25	120
Foreign exchange losses, net	62	34
Other financial expenses	74	93
Financial expenses	**925**	**1,162**

Other financial expenses primarily comprise commitment fees related to the syndicated facility agreement.

Note 5.2 Loans and credit institutions, and other non-current liabilities

(DKK million)	2024	2023
Bank loans	8,582	8,399
Mortgage loans	2,238	2,235
Other non-current liabilities	389	357
Total	**11,209**	**10,991**
Falling due:		
In less than one year	22	230
Between one and five years	8,561	200
After five years	2,626	10,561
Total	**11,209**	**10,991**

Cash resources and financing facilities

In 2023, LEO Pharma renegotiated the loan terms in the existing syndicated facility agreement, which resulted in both an increase of DKK 1,500m in the available credit-facility and improved loan terms. The improvements included a decrease in the effective interest rate as well as an extension of the loan termination date to January 1, 2029.

The renegotiated terms were not assessed to be substantially different to the previous loan terms, as the fair value of the liability before and after the modification was not significantly changed. Please refer to Note 5.2 Financial risks in the consolidated financial statements.

6 Other disclosures

Note 6.1 Share-based payment

The description of share-based payment arrangements, including terms and conditions, measurement of grant date fair value etc. for share-based payment arrangements in LEO Pharma A/S, is the same as for the Group in the consolidated financial statements.
Please refer to Note 6.2 Share-based payment in the consolidated financial statements.

Financial impact

The intrinsic value at December 31, 2024 of the liability related to vested phantom shares was DKK 148m (2023: DKK 101m).

Total expenses recognized in 2024 from share-based payment transactions in the income statement amounted to DKK 56m (2023: DKK 151m), of which DKK 25m was fair value adjustments of the cash-settled program recognized under financial expenses (2023: DKK 120m). The cost of DKK 27m (2022: DKK 18m) arose from equity-settled share-based payment transactions.

Reconciliation of outstanding employee awards

	2024		2023	
Number of matching shares	**ESPP (equity-settled)**	**EPSPP (cash-settled)**	**ESPP (equity-settled)**	**EPSPP (cash-settled)**
Outstanding at January 1	380,564	8,275	465,016	11,320
Granted	169,608	6,000	-	-
Forfeited	(68,497)	(1,331)	(84,452)	(3,045)
Outstanding at December 31	**481,675**	**12,944**	**380,564**	**8,275**
Weighted average remaining contractual life (years)	2	2	3	3
Liability at December 31 (DKK million)	**-**	**1**	**-**	**0**

Reconciliation of outstanding Management awards

		2024		2023	
Number of warrants	**Average exercise price (EUR)**	**MIP (equity-settled)**	**MIP Phantom (cash-settled)**	**MIP (equity-settled)**	**MIP Phantom (cash-settled)**
Outstanding at January 1	6.42	4,753,137	3,909,093	3,943,314	3,894,082
Granted	6.42	690,000	-	1,416,905	200,000
Forfeited	6.42	(310,600)	(26,369)	(607,082)	(184,989)
Outstanding at December 31	**6.42**	**5,132,537**	**3,882,724**	**4,753,137**	**3,909,093**
Number of exercisable at December 31		-	-	-	-
Weighted average remaining contractual life (years)		2	2	3	3
Liability at December 31 (DKK million)		**-**	**182**	**-**	**154**

Note 6.2 Guarantees, contingencies and commitments

Guarantees

The total guarantee commitment for the Parent Company amounted to DKK 361m (2023: DKK 463m) at December 31, 2024, including guarantees issued to subsidiaries of DKK 304m (2023: DKK 399m), of which DKK 270m related to pension obligations (2023: DKK 257m).

In addition to the guarantees for subsidiaries, the Parent Company has issued guarantees related to various commercial activities.

Contractual obligations and commitments

The table below shows contractual obligations not recognized in the Parent Company's financial statements.

(DKK million)	2024	2023
Intangible assets	92	429
Property, plant and equipment	16	47
Total	**108**	**476**

The commitments relating to intangible assets comprise milestone payments concerning development of new products and intellectual property rights from acquisitions. Commercial milestones, royalties and other payments based on a percentage of sales generated from sales of goods following marketing approval are excluded from the contractual commitments because of their contingent nature related to future sales.

The commitments regarding property, plant and equipment relate primarily to the construction of a new production plant in Ballerup, Denmark. At December 31, 2024, there were pending lawsuits filed by and against LEO Pharma A/S concerning rights and claims related to products in LEO Pharma's portfolio. LEO Pharma A/S does not expect the pending cases to have any significant effect on the Parent Company's financial position.

LEO Pharma A/S is involved in a number of legal proceedings. In the opinion of Management, the outcome of these proceedings will not have a material impact on the financial position or cash flows. Such proceedings will, however, develop over time, and new proceedings may occur which could have a material impact on LEO Pharma's financial position and/or cash flows.

Tax

The Parent Company is jointly taxed with its Danish subsidiary and its owner, LEO Holding A/S. The Parent Company is jointly and severally liable together with the other companies in the joint taxation scheme for Danish corporate taxes and withholding taxes on dividends, interest and royalties.

LEO Pharma A/S is jointly registered for VAT purposes with LEO Holding A/S and Løvens Kemiske Fabriks Handelsaktieselskab and is therefore jointly liable for the payment of VAT.

As a global business, LEO Pharma will from time to time have tax audits and discussions with tax authorities in various countries regarding tax issues, including transfer pricing and indirect tax issues. For a description of uncertain tax positions, please refer to Note 2.4 Income tax in the consolidated financial statements.

Note 6.3 Contractual obligations

Operating lease obligations

The Parent Company had lease obligations of DKK 33m (2023: DKK 37m), of which DKK 25m related to lease of office premises from a subsidiary (2023: DKK 25m).

Note 6.4 Other notes

For financial risks, please refer to Note 5.2 Financial risks in the consolidated financial statements.

For disclosures on assets measured at fair value, please refer to Note 5.4 Financial assets and liabilities in the consolidated financial statements.

For related party transactions, please refer to Note 6.6 Related party transactions in the consolidated financial statements.

For events after the balance sheet date, please refer to Note 6.7 Events after the balance sheet date in the consolidated financial statements.

Glossary

Financial terms used in the Annual Report

Organic revenue growth (%)
Please refer to Note 1.3 Non-IFRS measures.

Gross margin (%)
Reported gross profit as a percentage of revenue.

EBITDA and EBITDA margin (%)
Please refer to Note 1.3 Non-IFRS measures.

Adjusted EBITDA and adjusted EBITDA margin (%)
Please refer to Note 1.3 Non-IFRS measures.

Operating profit/(loss) (EBIT)
Reported operating profit: earnings before financial income and expenses and tax.

Effective tax rate (%)
Income tax as a percentage of profit/(loss) before tax.

R&D costs as % of revenue
Research and development costs as percentage of revenue.

Operating net working capital
Inventories and trade receivables (before provision for bad debt) less trade payables.

Net working capital
Current assets less current liabilities used in or necessary for the Group's operations.

Net interest-bearing debt (NIBD)
Please refer to Note 5.2 Financial risks.

Free cash flow
Please refer to Cash flow statement.

Executive Management
Executive Management is defined as the CEO and direct reports with management responsibilities who are part of the Global Leadership Team. Please refer to Section 04 Corporate matters, Global Leadership Team.

Average number of full-time employees (FTE)
Calculated as the average of the number of permanent employees at the end of each month.

Sustainability statement – Average number of employees (headcount)
Calculated as the rolling 12 months by calculating the headcount for each end of a month during the reporting period. Includes all active employees who are employed by LEO Pharma at the end of each month. Excludes externals and employees on garden leave.

Sustainability statement – Total number of employees (headcount)
Calculated based on headcount as of December 31. Includes all active employees who are employed by LEO Pharma on this day and excludes externals and employees on garden leave.

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