

Compeed ApS

**Bregnerødvej 133, 2
3460 Birkerød**

**CVR no. 16 99 42 43
Annual report for 2017**

Adopted at the annual general
meeting on 28 May 2018



**Thomas Roat Jorgensen
chairman**

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Compeed ApS for the financial year 1 January - 31 December 2017.

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

In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Birkerød, 28 May 2018

Executive board



Thomas Roat Jorgensen

Independent auditor's report
To the shareholder of Compeed ApS

Opinion

We have audited the financial statements of Compeed ApS for the financial year 1 January - 31 December 2017, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017 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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent auditor's report
Statement on management's review

Management is responsible for management's review.

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

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

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

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

Hellerup, 28 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



René Otto Poulsen
Statsautoriseret revisor
MNE no. mne26718



Jan Boje Andreassen
Statsautoriseret revisor
MNE no. mne2338

Company details
The company

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CVR no.: 16 99 42 43

Reporting period: 1 January - 31 December 2017

Domicile: Rudersdal

Executive board

Thomas Roat Jørgensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

General meeting

The annual general meeting is held at the company's adress on 28 May 2018.

Management's review

Business activities

The purpose of the company is to give domestic and foreign group companies licenses to the company's intellectual property rights and, directly or indirectly, to conduct other activities which, according to the Board, are linked to this. On the 20th of September 2017 Compeed ApS sold its Intellectual Property to an unrelated 3rd Party. As a consequence its license agreement was therefore terminated and its royalty receipts ceased . There is no immediate intention to liquidate the Company.

Business review

The Company's income statement for the year ended 31 December shows a profit of DKK 282,649,687, and the balance sheet at 31 December 2017 shows equity of DKK 369,703,271.

Accounting policies

The annual report of Compeed ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

The annual report for 2017 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Revenue includes royalty income and is included in the income statement when the royalty has been earned.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of the intellectual property.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Equity

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Liabilities

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Income statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Revenue		0	24,491,184
Other operating expenses		0	-126,910
Gross profit		0	24,364,274
Other operating income	1	339,313,489	0
Profit/loss before financial income and expenses		339,313,489	24,364,274
Financial income	2	0	19
Financial expenses	3	-22,065	-248,556
Profit/loss before tax		339,291,424	24,115,737
Tax on profit/loss for the year	4	-74,644,113	-5,305,480
Profit/loss before discontinuing operations		264,647,311	18,810,257
Profit/loss for the year, discontinuing operations	5	18,002,376	0
Net profit/loss for the year		<u>282,649,687</u>	<u>18,810,257</u>

Distribution of profit

Proposed distribution of profit
Retained earnings

282,649,687	18,810,257
<u>282,649,687</u>	<u>18,810,257</u>

Balance sheet 31 December

	<u>Note</u>	<u>2017</u> DKK	<u>2016</u> DKK
Assets			
Receivables from group enterprises		368,492,908	91,398,241
Corporation tax		278,294	0
Receivables		<u>368,771,202</u>	<u>91,398,241</u>
Cash at bank and in hand		<u>932,069</u>	<u>1,000,505</u>
Current assets total		<u>369,703,271</u>	<u>92,398,746</u>
Assets total		<u>369,703,271</u>	<u>92,398,746</u>

Balance sheet 31 December

	<u>Note</u>	<u>2017</u> DKK	<u>2016</u> DKK
Liabilities and equity			
Share capital		500,000	500,000
Retained earnings		369,203,271	86,553,584
Equity	6	369,703,271	87,053,584
Trade payables		0	39,700
Corporation tax		0	5,305,462
Short-term debt		0	5,345,162
Debt total		0	5,345,162
Liabilities and equity total		369,703,271	92,398,746
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

Notes to the annual report

	2017 DKK	2016 DKK
1 Other operating income		
Gain sale of intellectual property	339,313,489	0
	<u>339,313,489</u>	<u>0</u>
2 Financial income		
Other financial income	0	19
	<u>0</u>	<u>19</u>
3 Financial expenses		
Percentage surcharge, corporation tax	22,065	248,556
	<u>22,065</u>	<u>248,556</u>
4 Tax on profit/loss for the year		
Current tax for the year	74,644,113	5,305,462
Adjustment of tax concerning previous years	0	18
	<u>74,644,113</u>	<u>5,305,480</u>
5 Profit/loss for the year, discontinued operations		
DCO, Sale of goods	-23,106,667	0
DCO, Other external expenses	26,698	0
DCO, Tax	5,077,593	0
Net profit/loss for the year, discontinued operations	<u>-18,002,376</u>	<u>0</u>

Notes to the annual report

6 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2017	500,000	86,553,584	87,053,584
Net profit/loss for the year	0	282,649,687	282,649,687
Equity at 31 December 2017	500,000	369,203,271	369,703,271

	Share capital	Retained earnings	Total
Equity 1. january 2016	500,000	67,743,327	68,243,327
Net profit/loss for the year	0	18,810,257	18,810,257
Equity 31. december 2016	500,000	86,553,584	87,053,584

Notes to the annual report

7 Contingent assets, liabilities and other financial obligations

The company is jointly taxed with Danish companies in the Johnson & Johnson Group. Accordingly, the Company is liable for income taxes etc. in accordance with the Danish Companies Tax Code as of the 2013 financial year. For the jointly taxed companies and from 1 July 2012 also for any obligation to include withholding tax on interest, royalties and dividends for jointly taxed companies.

8 Related parties and ownership

Controlling interest

Johnson & Johnson Group Holdings GmbH
Immediate Parent

Consolidated financial statements

The Company is included in the group annual report of Johnson & Johnson, New Jersey, USA

The group annual report of Johnson & Johnson, New Jersey, USA may be obtained at the following address:

<http://www.investor.jnj.com/secfiling.cfm?filingID=200406-16-71&CIK=200406>