

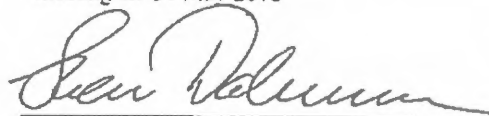
**Janssen-Cilag A/S**

**Bregnerodvej 133, 2  
3460 Birkerød**

**CVR no. 19 24 86 15**

**Annual report for 2017**

Adopted at the annual general  
meeting on 31 May 2018



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Sven Dohmann  
chairman

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**Statement by management on the annual report**

The Board of directors and executive board have today discussed and approved the annual report of Janssen-Cilag A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with 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 our 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, 31 May 2018

**Executive Board**


  
Lars Ake Hjalmar Johansson

**Board of Directors**

  
Sven Dohmann  
chairman

  
Jesus Mercillo Garcia

  
Inger Sandberg

  
Jette Zoëga

  
Lars Ake Hjalmar Johansson

## **Independent auditor's report**

*To the shareholder of Janssen-Cilag A/S*

### **Opinion**

We have audited the financial statements of Janssen-Cilag A/S for the financial year 1 January - 31 December 2017, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity 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.

## Independent auditor's report

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

### Statement on 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, in our view, 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, 31 May 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

  
Rene Otto Poulsen  
Statsautoriseret revisor  
MNE no. mne26718

  
Jan Boje Andreassen  
Statsautoriseret revisor  
MNE no. mne2338



**Company details**

<b>The company</b>	Janssen-Cilag A/S Bregnerodvej 133, 2 3460 Birkerød  Telephone: +4545948282 Fax: +4545948283  Website: <a href="http://www.janssen-cilag.dk">www.janssen-cilag.dk</a>  CVR no.: 19 24 86 15  Reporting period: 1 January - 31 December 2017  Domicile: Rudersdal
<b>Board of Directors</b>	Sven Dohmann, chairman, chairman Jesus Morcillo Garcia Inger Sandberg Jette Zoëga Lars Åke Hjalmar Johansson
<b>Executive Board</b>	Lars Åke Hjalmar Johansson
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
<b>Lawyers</b>	Novi Attorneys Strandgade 52 1401 Copenhagen
<b>Bankers</b>	Nordea Bank Danmark A/S Slotsgade 44 3400 Hillerød

**Financial highlights**

It has not been possible to adjust the comparative figures for year 2013 due to the fact that a significant part of the business activities were run as a separate legal entity prior to the incorporation in January 2014.

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	968,109	834,738	874,254	875,018	386,423
Gross profit	236,122	261,543	251,744	273,027	107,827
Operating profit/loss	48,904	35,062	25,741	38,672	21,527
Net financials	53	-502	-4,070	-805	-127
Profit/loss for the year	37,063	59,607	14,635	27,678	14,237
<b>Balance sheet</b>					
Balance sheet total	590,967	429,165	439,754	457,724	110,952
Investment in property, plant and equipment	316	1,411	5,509	9,928	690
Equity	314,947	277,884	218,277	203,644	80,862
Number of employees	104	109	116	107	49
<b>Financial ratios</b>					
Gross margin (%)	24	31	29	31	28
Profit margin (%)	5	4	3	4	6
Return on assets (%)	10	14	6	10	19
Solvency ratio (%)	55	65	51	53	73
Return on equity (%)	13	24	11	20	19

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..



## Management's review

### Business activities

The Company's main activity is the sale and marketing of Pharmaceuticals and Medical Devices on the Danish Market. The products are bought from group enterprises. In our internal structure the sale of medicines and medical equipment are separately conducted with two separate management teams. Thus, we specify the details of our management review below in two separate headings, Pharmaceuticals and Medical Devices.

### Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

### Unusual matters

The Company's financial position at 31 December 2017 and the results of its operations for the financial year ended 31 December 2017 are not affected by any unusual matters.

### Business review

The Company's income statement for the year ended 31 December shows a profit of TDKK 37,063, and the balance sheet at 31 December 2017 shows equity of TDKK 314,947.

**Pharmaceuticals:** On the Danish market, Janssen-Cilag A/S sells pharmaceuticals to wholesalers, hospitals and pharmacies. Compared to previous year, the pharmaceuticals market has shown a growth rate of 5,3%, and in comparison Janssen-Cilag A/S has shown a growth rate of 25,84%. In 2017 the Company had a market share of 4,57% (Janssen-Cilag A/S, AIP incl parallel imports). Compared with last year, the market share for Janssen-Cilag A/S has grown +0,9%, which is primarily due to the performance of the products within oncology (hematology). All the brands are performing better than in 2017, with special focus on Onco-Hematology portfolio (Zytiga, Darzalex and Imbruvica) and Psoriasis (Stelara) Launches during 2017: Sylvant (multicentric Castleman's disease), Symtunza (HIV). Source: IMS data.

**Medical Devices:** The market in Denmark is challenging. Increased focus on national tenders put even higher pressure on price. In Denmark, all citizens are entitled to publicly financed healthcare. Total Danish health expenditure is above the OECD average. The national objectives are better quality, coherence and geographical equality.

## Management's review

### Financial review

**Pharmaceuticals:** The market showed an increase of 5,3 % in 2017. Revenue on the market shows an increase of approx. 35 %, according to internal data primarily due to an increase in the sales of Zytiga, Imbruvica, Darzalex and Stelara. On this basis, the results must be considered satisfactory.

**Pharmaceuticals:** During 2018 the new launches in 2016 and 2017 within the area CLL (chronic lymphocytic leukemia) and Multiple Myeloma are expected to affect the Company's revenue positively. The following products will be affected by activities commenced by The Medicine Council: Stelara, Prezista, Zytiga, Xeplion, Risperdal Consta, Velcade, Imbruvica and Darzalex which may affect growth both positively and negatively depending on the therapeutic instructions from the vocational committees.

**Medical Devices:** The division CNS was sold to Integra effective January 2018. Neuravi was acquired effective September 2017. The decline of sales - in total 2.5% - continued due to price pressure and strong competition partly offset by volume growth.

### Special risks apart from generally occurring risks in industry

#### *Operating risks*

**Pharmaceuticals:** The price agreement between LIF and the Ministry of Health in respect of hospital products has affected sales negatively in 2017 and will also affect future sales negatively by way of price cuts. Future agreements are not expected to have a positive impact on sales. The introduction of The Medicine Council will impact the market for products for oncology in general. The initial approval process appears to be shorter than before but the transfer of the power of decision to The Therapeutic Areas of The Medicine Council delays the full implementation of new products in the regions considerably. Generally the pressure on the pharmaceutical industry has increased both in respect of co-operation between doctors, patient associations and the industry and the price of new innovative drugs where expensive drugs might be excluded due to the price only.

**Medical Devices:** In general, all health and social services are financed by general taxes and are supported by a system of central government block grants, reimbursements and equalization schemes. The market continues to experience overall price pressure related to cost cutting in the hospital services. The country is open for new innovations which drives efficiency.

### Impact on external environment and measures of preventing, reducing or mitigating damage

No production takes place in Denmark; most of the products are bought in packaging designed for the Danish market. Some packages are however repacked for the Danish market in a controlled environment. Destruction of expired and surplus drugs is carried out by Kommunekemi

## **Management's review**

### **Statutory report on corporate governance**

**Pharmaceuticals:** Based on our "conduct of policy", we develop, register, market and sell high quality products for medical treatment, which improves quality of life by preventing, curing and relieving in the best possible way. We focus on providing our business partners with the best possible conditions. This applies especially to patients, doctors, nurses and other practitioners, but also to suppliers, producers, authorities and the society.

**Medical Devices:** This segment produces a broad range of innovative products used primarily by health care professionals in the fields of orthopaedics, neurovascular, surgery, infection prevention, cardiovascular disease, sports medicine, and aesthetics. We want to be leading within our focus areas by offering the best products of the highest quality

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

#### **Policies on environment**

Johnson & Johnson globally has established global policies and statements, including our Environment, Health & Safety (EHS) Policy, our Climate Friendly Energy Policy, and our statements on the Human Right to Water and Respecting Biodiversity to guide the management of our operations around the globe. These are made actionable by our Environment, Health, Safety and Sustainability standards, which require that our manufacturing and R&D sites have Environment, Health, Safety & Sustainability (EHS&S) management systems in place. Taken together, these documents establish the expectations for managing our environmental performance, for development and implementation of initiatives that promote greater environmental responsibility, and for efforts to continually reduce our environmental impacts.

In Janssen-Cilag A/S all drivers are trained in eco-driving and we have introduced small order fee's to increase larger less polluting parcels. We also track CO2 emission and encourage less meetings in person and rather organize webex/telephon meetings

#### **Policies on social conditions and labor practices**

-To ensure that each Johnson & Johnson operating unit throughout the world follows consistent principles relative to Labor and Employment practices, a set of global guidelines have been established. In every instance, we must first ensure that our policies and actions are in full compliance with the laws and regulations of the respective countries in which we operate.

In Janssen-Cilag A/S we support Operation Smile by employee initiatives to increase awareness and fund raise.

## **Management's review**

### **Policies on human rights**

Our Statement on Human Rights articulates our commitments and the efforts that support them, and our Responsibility Standards for Suppliers reflect our values and expectations for our suppliers. Responsibility for human rights follows our management structure and resides in our local operating companies, managed by the relevant corporate and business group functions.

In Janssen-Cilag A/S all employees attend trainings on anti-bias on diversity and inclusion.

### **Policies on anti-corruption and bribery**

-At Johnson & Johnson, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. Our Johnson & Johnson Code of Business Conduct ensures that we hold ourselves and how we do business to a high standard, allowing us to fulfill our obligations to the many stakeholders we serve.

In Janssen-Cilag A/S all employees are trained annually on anti-bribery practice and legislation.

### **Statutory report on the underrepresented gender**

The Company's goal is to have at least 40% of the underrepresented gender. The Board notes that this goal has been met since the Board of Directors consist of 50% men and 50% women and other management consist of 40% men and 60% women.



## **Accounting policies**

The annual report of Janssen-Cilag A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C as well as selected provisions as regards larger entities.

The annual report for 2017 is presented in TDKK

### **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's 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's 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.

### **Income Statement**

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognized in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

#### **Cost of productions**

Cost of productions comprises costs incurred to achieve revenue for the year.

#### **Other operating income**

Other operating income comprises items of secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

#### **Distribution costs**

Distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

## Accounting policies

### Administrative costs

Administrative costs comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### 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, 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.

The company acts as management company for all jointly taxed entities and, in its capacity as such, pays all income taxes to the Danish tax authorities.

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

### Tangible Assets

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful life of the assets:

Other fixtures, fittings, tools & equipment	3-10 years
Leashold improvements	3-10 years



## **Accounting policies**

Assets costing less than DKK 17.000 are expensed in the year of acquisition.

Gains and losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income or other operating expenses.

### **Impairment of fixed assets**

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual assets or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of asset after the end of the useful life.

### **Receivables**

Receivables are measured at amortised cost.

### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

### **Provisions**

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions etc. Provisions are recognized when as a result of a past event the company's has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

### **Income tax and deferred tax**

Management company, Janssen-Cilag A/S is liable for payment of the subsidiaries' corporate income taxes to the tax authorities.

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.

Current tax liabilities and current tax receivables are recognized 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.

## Accounting policies

### Liabilities

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

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Cash flow statement

No cash flow statement has been prepared for the Company as the Company's cash flows are included in the Consolidated Cash Flow Statement of the mother company in the US. C.f. Danish Financial Statements Act 86.

### Financial Highlights

#### Definitions of financial ratios.

Gross profit	$\text{Gross Profit} \times 100 / \text{Revenue}$
Profit Margin	$\text{Profit/loss before financials} \times 100 / \text{Revenue}$
Return on Assets	$\text{Profit/loss before financials} \times 100 / \text{Total assets}$
Solvency Ratio	$\text{Equity at year-end} \times 100 / \text{Total assets}$
Return on Equity	$\text{Net Profit/loss for the year} \times 100 / \text{Equity at year-end}$

**Income statement 1 January - 31 December**

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Revenue</b>		968,109	834,738
<b>Cost of productions</b>		<u>-731,987</u>	<u>-573,195</u>
<b>Gross profit</b>		236,122	261,543
<b>Distribution costs</b>		-147,246	-206,431
<b>Administrative costs</b>		<u>-39,972</u>	<u>-20,050</u>
<b>Operating profit/loss</b>		48,904	35,062
<b>Other operating income</b>	2	<u>210</u>	<u>37,449</u>
<b>Profit/loss before financial income and expenses</b>		49,114	72,511
<b>Financial income</b>	3	271	127
<b>Financial costs</b>	4	<u>-218</u>	<u>-629</u>
<b>Profit/loss before tax</b>		49,167	72,009
<b>Tax on profit/loss for the year</b>	5	<u>-12,104</u>	<u>-12,402</u>
<b>Net profit/loss for the year</b>		<u>37,063</u>	<u>59,607</u>
<b>Distribution of profit</b>			
<b>Retained earnings</b>		<u>37,063</u>	<u>59,607</u>
		<u>37,063</u>	<u>59,607</u>

## Balance sheet 31 December

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Assets</b>			
Other fixtures and fittings, tools and equipment		1,111	762
Leaschold improvements		217	1,304
<b>Tangible assets</b>	<b>7</b>	<b>1,328</b>	<b>2,066</b>
Other receivables	8	1,387	1,387
<b>Fixed asset investments</b>		<b>1,387</b>	<b>1,387</b>
<b>Fixed assets total</b>		<b>2,715</b>	<b>3,453</b>
Trade receivables		272,328	136,252
Receivables from group company		289,143	272,730
Other receivables		16,556	3,928
Deferred tax asset	9	985	1,206
Corporation tax		7,373	6,010
Prepayments		151	768
<b>Receivables</b>		<b>586,536</b>	<b>420,894</b>
<b>Cash at bank and in hand</b>		<b>1,716</b>	<b>4,818</b>
<b>Current assets total</b>		<b>588,252</b>	<b>425,712</b>
<b>Assets total</b>		<b>590,967</b>	<b>429,165</b>

**Balance sheet 31 December**

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Liabilities and equity</b>			
Share capital		2,300	2,300
Retained earnings		<u>312,647</u>	<u>275,584</u>
<b>Equity</b>	<b>10</b>	<u><b>314,947</b></u>	<u><b>277,884</b></u>
Trade payables		13,686	13,353
Payables to group company		193,021	74,007
Other payables		<u>69,313</u>	<u>63,921</u>
<b>Short-term debt</b>		<u><b>276,020</b></u>	<u><b>151,281</b></u>
<b>Debt total</b>		<u><b>276,020</b></u>	<u><b>151,281</b></u>
<b>Liabilities and equity total</b>		<u><u><b>590,967</b></u></u>	<u><u><b>429,165</b></u></u>
Staff	11		
Rental agreements and lease commitments	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		

## Janssen-Cilag A/S

### Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	2,300	275,584	277,884
Net profit/loss for the year	0	37,063	37,063
Equity at 31 December 2017	<u>2,300</u>	<u>312,647</u>	<u>314,947</u>

	<u>Share capital</u>	<u>Reserves in accordance with the Articles of Association</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1. January 2016	2,300	4,182	211,795	218,277
Net effect from change of accounting policy	0	-4,182	4,182	0
Adjusted equity 1. January 2016	2,300	0	215,977	218,277
Net profit/loss for the year	0	0	59,607	59,607
Equity 31. December 2016	<u>2,300</u>	<u>0</u>	<u>275,584</u>	<u>277,884</u>



**Notes to the annual report**

**1 Information on segments**

**Activities - primary segment**

	Medical Devices	Pharmaceutical	Total
TDKK			
Revenue	424,074	544,035	968,109

**Geographical - secondary segment**

	Faroe Islands	Denmark	Total
TDKK			
Revenue	2,163	965,945	968,108

	2017 TDKK	2016 TDKK
<b>2 Other operating income</b>		
Other operating income	210	527
Income from sale of division	0	33,418
Income sale of building	0	3,504
	210	37,449

	2017 TDKK	2016 TDKK
<b>3 Financial income</b>		
Exchange adjustments	271	127
	271	127

## Notes to the annual report

	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>4 Financial costs</b>		
Other financial costs	69	427
Exchange adjustments costs	<u>149</u>	<u>202</u>
	<u><u>218</u></u>	<u><u>629</u></u>
	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	11,883	14,398
Deferred tax for the year	221	4,066
Adjustment of tax concerning previous years	<u>0</u>	<u>-6,062</u>
	<u><u>12,104</u></u>	<u><u>12,402</u></u>
	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>6 Distribution of profit</b>		
Retained earnings	<u>37,063</u>	<u>59,607</u>
	<u><u>37,063</u></u>	<u><u>59,607</u></u>

## Notes to the annual report

## 7 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	9,336	3,757	13,093
Additions for the year	316	0	316
Disposals for the year	-668	0	-668
Cost at 31 December 2017	<u>8,984</u>	<u>3,757</u>	<u>12,741</u>
Impairment losses and depreciation at 1 January 2017	8,574	2,453	11,027
Depreciation for the year	580	435	1,015
Reversal of impairment and depreciation of sold assets	-629	0	-629
Transfers for the year	-652	652	0
Impairment losses and depreciation at 31 December 2017	<u>7,873</u>	<u>3,540</u>	<u>11,413</u>
Carrying amount at 31 December 2017	<u>1,111</u>	<u>217</u>	<u>1,328</u>
Depreciated over	<u>3-10 år</u>	<u>10 år</u>	

**Notes to the annual report**

**8 Fixed asset investments**

	<u>Other receiv- ables</u>
Cost at 1 January 2017	1,387
Cost at 31 December 2017	<u>1,387</u>
<b>Carrying amount at 31 December 2017</b>	<b><u><u>1,387</u></u></b>

**9 Provision for deferred tax**

	<u>2017</u> TDKK	<u>2016</u> TDKK
Property, plant and equipment	985	1,206
Transferred to deferred tax asset	<u>985</u>	<u>1,206</u>
	<b><u>0</u></b>	<b><u>0</u></b>

Deferred tax has been provided at 22.0% per the current tax rate.

**Deferred tax asset**

Calculated tax asset	<u>985</u>	<u>1,206</u>
<b>Carrying amount</b>	<b><u>985</u></b>	<b><u>1,206</u></b>

**10 Equity**

The share capital consists of 4,600 shares of a nominal value of TDKK 500. No shares carry any special rights.

Notes to the annual report

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>11 Staff</b>		
Wages and Salaries	90,153	95,374
Pensions	<u>2,965</u>	<u>3,218</u>
	<u>93,118</u>	<u>98,592</u>
Wages and Salaries and pensions are recognised in the following items:		
Distribution expenses	77,125	84,707
Administrative expenses	<u>15,993</u>	<u>13,885</u>
	<u>93,118</u>	<u>98,592</u>
Average number of employees	<u>104</u>	<u>109</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

Management and other employees are included in Johnson & Johnsons shared based compensation program. Warrants are granted with a vesting period of 4 years. There is performance conditions in connection with the program. Payment to the parent company regarding shares delivered to employees according to the program are recognized as expense in the income statement.

**Notes to the annual report**

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
<b>12 Rental agreements and lease commitments</b>		
Operating lease commitments:		
Total future lease payments:		
Within 1 year	336	2,285
Between 1 and 5 years	<u>9,091</u>	<u>10,846</u>
	<u>9,427</u>	<u>13,131</u>

The future leasing payments consist of office rental and leased company cars and the remaining period to maturity is up to 60 months.

**13 Contingent assets, liabilities and other financial obligations**

The company has bank guarantee commitments to third parties totalling DKK 1 625t DKK.

**Other contingent liabilities**

The company is part of a Danish joint taxation with Danish companies in the Johnson & Johnson Group. Accordingly, the Company is liable also for income taxes of the jointly taxed companies in accordance with the Danish Companies Tax Code from the 2013 financial year. From 1 July 2012, the Company is also liable for any obligation including withholding tax on interest, royalties and dividends for jointly taxed companies.



**Notes to the annual report**

**14 Related parties and ownership**

**Controlling interest**

Janssen-Cilag AB, Solna, Sweden  
Immediate Parent Company

Johnson & Johnson, New Jersey, USA  
Ultimate parent company

All transactions with group companies are in accordance with market value.

**Ownership**

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

Janssen-Cilag AB  
Solna  
Sweden  
**Consolidated financial statements**

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

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

<http://www.investor.jnj.com/secfiling.cfm?filingID=200406-18-5&CIK=200406>