

Janssen-Cilag A/S

**Bregnerødvej 133, 2
3460 Birkerød**

CVR no. 19 24 86 15

Annual report for 2020

Adopted at the Annual General
Meeting on 15 June 2021

Sven Kragelund Dohmann

Sven Kragelund Dohmann (Jun 15, 2021 17:11 GMT+2)

Sven Kragelund 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 2020.

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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

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, 15 June 2021

Executive Board

Berkeley Vincent

Berkeley Vincent (Jun 15, 2021 17:05 GMT+2)

Berkeley Alexander Vincent

Board of Directors

Sven Kragelund Dohmann

Sven Kragelund Dohmann (Jun 15, 2021 17:11 GMT+2)

Sven Kragelund Dohmann
Chairman

Tim House

Tim House (Jun 15, 2021 17:12 GMT+2)

Timothy James House

Julie Brooker

Julie Brooker (Jun 15, 2021 17:05 GMT+2)

Julie Enevold Brooker

Berkeley Vincent

Berkeley Vincent (Jun 15, 2021 17:05 GMT+2)

Berkeley Alexander Vincent

Jette Zoëga

Jette Zoëga (Jun 15, 2021 17:08 GMT+2)

Jette Zoëga

Independent auditor's report

To the Shareholder of Janssen-Cilag A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Janssen-Cilag A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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.

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 in Management's Review.

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.

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

Independent auditor's report

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.

2900 Hellerup, 15 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31


Jan Boje Andreassen (Jun 16, 2021 09:09 GMT+2)

Jan Boje Andreassen
State Authorised Public Accountant
Mne2338


Lone Vindbjerg Larsen (Jun 15, 2021 17:28 GMT+2)

Lone Vindbjerg Larsen
State Authorised Public Accountant
Mne34548

Management's review

Company details

The company	Janssen-Cilag A/S Bregnerødvej 133, 2 3460 Birkerød
	Telephone: +4545948282
	Fax: +4545948283
	Website: www.janssen-cilag.dk
	CVR no.: 19 24 86 15
	Reporting period: 1 January - 31 December 2020
	Domicile: Rudersdal
Board of Directors	Sven Kragelund Dohmann, Chairman Berkeley Alexander Vincent Timothy James House Jette Zoëga Julie Enevold Brooker
Executive Board	Berkeley Alexander Vincent
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Lawyers	Advokat Steffen Theodor Petersen Overgaden Neden Vandet 19A, 2. sal 1414 Copenhagen, Denmark
Bankers	Nordea Bank Danmark A/S Slotsgade 44 3400 Hillerød

Management's review

Financial highlights

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

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,304,814	1,194,701	1,191,833	968,109	834,738
Gross profit	270,376	273,693	275,074	236,122	261,543
Operating profit/loss	72,117	67,789	77,113	48,904	35,062
Net financials	-49	-366	-177	53	-502
Profit/loss for the year	56,374	54,767	60,468	37,063	59,607
Balance sheet					
Balance sheet total	446,744	359,694	674,853	590,967	429,165
Investment in property, plant and equipment	259	769	881	316	1,411
Equity	132,781	126,407	375,415	314,947	277,884
Number of employees	116	109	106	104	109
Financial ratios					
Gross margin (%)	21	23	23	24	31
Profit margin (%)	6	6	7	5	4
Return on assets (%)	16	19	12	10	14
Solvency ratio (%)	30	35	56	55	65
Return on equity (%)	44	22	16	13	21

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 2020 and the results of its operations for the financial year ended 31 December 2020 are not affected by any unusual matter.

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). Although the situation is still evolving at the date of issue of these financial statements, there is no tangible impact on the Company's sales or supply chain to date, however, the impact of this situation on the Company in the future cannot be predicted. Management will continue to closely monitor the potential impact of these events and will take all possible measures to mitigate possible consequences.

Business review

The Company's income statement for the year ended 31 December shows a profit of TDKK 56,374 and the balance sheet at 31 December 2020 shows equity of TDKK 132,781.

Pharmaceuticals

On the Danish market, Janssen-Cilag A/S sells pharmaceuticals to wholesalers, hospitals and pharmacies. Compared to previous year, the pharmaceuticals market (Rx Market) has shown a growth rate of 4.4%, and in comparison, Janssen-Cilag A/S has shown growth in net trade sales of 15.5%.

In 2020, the Company reached a market share of 5.0%. (Janssen-Cilag A/S, AIP incl. parallel imports) vs a market share of 4.6% in 2019.

Medical Devices

Price pressure remains high in Denmark as the majority of purchases from the public healthcare sector is controlled through competitive tenders. However, in 2020 an increasing focus has been on the value delivered by suppliers to the healthcare system rather than price alone. Over time this is expected to benefit not only patients but also taxpayers, as patient outcomes per invested DKK will improve. The Medical Devices segment was impacted by the COVID-9 pandemic with some business areas being impacted more than others. In general products involved in critical operations such as trauma, cardio and cancer performed well through the pandemic, while for example the joints business suffered from declining operations. During the pandemic more Danish Regions decided to build local inventory in new warehouses, which grew sales through a number of large orders.

Management's review

Financial review

Development in the year

Pharmaceuticals

Strong growth in Pharmaceutical sales is a result of both positive patient uptake across the portfolio, as well as strong first quarter growth relative to prior year due to tighter customer order pattern management. Overall, strong Multiple Myeloma (DARZALEX) including new formulation and CLL (IMBRUVICA) sales performance continues with partial declines in VELCADE.

Further operational year-on-year growth is expected in 2021, with new product launch plans in the pipeline for Prostate Cancer and Neuroscience, as well as new indications for STELARA, and securing new patients in the Psoriasis business with the ramp up of TREMFYA. Partly offset by the divestment of the CAELYX brand from the Oncology platform.

Medical Devices

The sales of Medical devices declined by -1% vs 2019 mainly due to COVID impact and decreased production level in the hospitals, cancellation of elective surgeries.

2021 is expected to be more optimistic for the Medical Devices portfolio performance, business is expected to recover from COVID and return back to growth in all segments. Waiting list catch up for elective surgeries and return to normal production levels in hospitals will be the main growth drivers in Medical devices.

For 2021 in Denmark we expect low single digit growth vs 2020 and result in line with 2020.

Special risks apart from generally occurring risks in industry.

Operating risks

Pharmaceuticals

Danish Medicines Council introduced QALY method when assessing whether new medicinal products should be recommended as standard treatment at Danish hospitals. It could cause delays in the processes and early signs of those are observed.

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.

Management's review

Strategy and objectives

Pharmaceuticals

Based on our "conduct of policy", we develop, register, market and sell high quality drugs 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

The Medical Devices segment produces a broad range of innovative products used primarily by health care professionals in the fields of orthopedics, 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. A new strategy process called Horizon 2025 was launched to the Nordic organization early 2020 in order to ensure strategic and tactical alignment across the wider organization. This process will continue in coming years.

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.

Diversity

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 60% men and 40% women and other management consist of 40% men and 60% women.

Management's review

Statutory report on corporate governance

The company is committed to continuously improving the social responsibility in all areas. All local laws and regulations are adhered to and in several areas higher goals are defined within the company.

The values that guide our decision-making are spelled out in Our Credo. Our Credo challenges the company to put the needs and well-being of the people we serve, our employees and the society in which we live and work first.

Statutory report on corporate social responsibility

Statutory Statement of Social Responsibility - Business model

Johnson & Johnson is the largest and most diversified healthcare company in the world. We are 132,000 employees in 60 countries, united by a common purpose: to change the trajectory of health for humanity. We have been caring for people for over 130 years. This heritage of delivering trusted products and services drives our three business segments: Consumer, Medical Devices and Pharmaceutical.

Janssen-Cilag A/S is a sales and marketing organization whose key activity is to sell pharmaceutical and medical device products in the Danish market.

Risk analysis

The risk of Janssen-Cilag A/S influencing the environment, social and employee relationships, human rights and anti-corruption by its actions is estimated to be limited, since no production takes place in Denmark. Janssen-Cilag A/S complies with all relevant legislation in the mentioned areas. Risks are monitored both locally and from the head office.

Policies on environment

Johnson & Johnson, Inc. 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.

Employees are aware, that environmental updates are published in the monthly internal newsletter, where to look up policies, work instructions and standard operating procedures and where to look up global citizenship & sustainability reporting page. Senior management has access to the guiding document describing the Nordics Environmental goals and priorities.

Efforts and results concerning environmental issues

All employees with company cars are trained in eco-driving. We encourage less meetings in person, and rather organize digital/telephone meetings. Internal travels are monitored, and results are evaluated at bi-annual management reviews.

In the Medical Device sector, a new position as Nordic Sustainability Manager was introduced in 2020 working on developing and implementing new sustainability initiatives. Also, in 2020 a new Employee Resource Group (ERG) called We Sustain Denmark, was launched. The group already initiated several initiatives in collaboration with employees of all sectors.

Management's review

To reduce CO2 emissions, we have offered customers the opportunity for environmentally friendly road shipments as opposed to transportation by plane. In 2020 this allowed us to convert close to 4000 customer orders from air to road transport thereby reducing CO2 emissions by 77 tons. This initiative has been welcomed by our customers, as it supports them in their efforts to become more environmentally friendly.

Further, we have introduced special fees for small orders under a certain value to encourage customers to consolidate orders and receive less shipments thereby generating less emissions.

Policies on social conditions and labour 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.

Efforts and results concerning social and employee relationships

The Our Voice Survey annually assesses the ability of employees across the Company to live the values of Our Credo, and provides an additional mechanism for engaging with employees to gain insight into their views about our talent management practices and enterprise performance. The survey addresses critical topics such as engagement, diversity and inclusion, talent development, health and wellness, collaboration, execution and innovation. These results and suggestions are informing ongoing talent discussions and action plans across the enterprise.

Energy for Performance® Training is offered by Janssen-Cilag A/S for their employees in Denmark.

Many Employee Resource Group exist in the Danish organization. The objective of these groups is to stimulate important initiatives across all sectors at all levels of the organization. Currently the following ERG's exist:

- We Sustain Denmark: Local initiatives promoting the sustainability agenda
- GenNow: Mentoring programs and Key Account Managers' network
- Womens' Leadership & Inclusion: Promote equal salary and opportunities for men and women within the organization
- Employee Engagement Forum: Organize social activities such as company parties, movie and theater visits, concerts etc.

During a year of less social contact among employees due to the COVID-19 lock-down the Danish ERG's have been very useful and allowed for new ways of social interaction.

Policies on human rights

Respecting human rights is the foundation for any successful and sustainable business. Johnson & Johnson acknowledges that challenges to human rights are widespread across the global economy and can be particularly complex at the farthest ends of global supply chains. Johnson & Johnson believes it's critically important to for everyone touched by our business to be treated with fairness, dignity and respect.

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.

Efforts and results concerning human rights

The Johnson & Johnson, Inc. initiative Diversity & Inclusion is implemented globally and hence also in Denmark. The program has the purpose to eliminate discrimination due to for example race, gender, sexual or

Management's review

religious orientation. As per the company CREDO Janssen-Cilag A/S trains all employees on anti-bias on diversity and inclusion.

Janssen-Cilag A/S perceives human rights to also concern the right for individuals to have a job, which offers both professional and personal satisfaction, joy and meaning. Janssen-Cilag A/S acknowledges that employees may choose work styles or career options that represent their own most appropriate balance of work within life, and it is the Company's ambition to support the employee in doing so.

No human rights violations took place in the Danish organization in 2020.

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 fulfil our obligations to the many stakeholders we serve.

When we interact with health care professionals, health care organizations and systems, pharmacies, retailers and other providers, and government and private purchasers of health care products and services, including any government official, we do so in a legal and ethical manner consistent with Our Credo, Company policies, laws and regulations and industry standards. Any third party who conducts business on our behalf must also comply with these requirements.

Efforts and results concerning anti-corruption

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

The Company continued to introduce all new employees to company policies on anti-corruption, via the employee handbook which is shared with all new employees.

In 2020, there were no incidents at Janssen-Cilag A/S which led to the termination of employees.

Accounting policies

The annual report of Janssen-Cilag A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting principles are unchanged compared to prior year.

Certain amounts have been reclassified in the comparative figures for 2019 to ensure the same presentation.

The annual report for 2020 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 recognized in the income statement.

Assets are recognized 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 recognized 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.

Accounting policies

Cost of productions

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

Other operating income and expenses

Other operating income and expenses comprises items of secondary nature relative to the company's activities, including gains and losses 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.

Administrative costs

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

Financial income and expenses

Financial income and expenses are recognized 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 recognized in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible Assets

Items of 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, which is evaluated on an annual basis, at the end of the useful life.

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
Leasehold improvements	3-10 years

Accounting policies

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.

Intangible Assets

Intangible assets are recognized at the time of acquisition if it is likely that economic future benefits with the assets will flow to the Company, and the cost is measurable.

Positive difference between the cost of the acquired capital and the fair value of the acquired assets and liabilities during a business combination are recognized under intangible assets as Goodwill.

Goodwill must be systematically depreciated over the income statement, after an individual assessment of the useful life. If one useful life cannot be estimated, it should be fixed at 10 years. The useful life is reassessed annually.

Negative goodwill shall be recognised as income at the acquisition date.

Goodwill is depreciated on a straight-line depreciation plan according with its useful life. If the useful life can't be estimated, Goodwill should be depreciated considering a useful life of 10 years.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment 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.

Accounting policies

Receivables

Receivables are measured at amortized cost.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

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.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortized 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 recognized 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 recognized in the latest financial statements is recognized 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	$\text{Gross Profit X 100 / Revenue}$
Profit Margin	$\text{Profit/loss before financials X 100 / Revenue}$
Return on Assets	$\text{Profit/loss before financials x 100 / Total assets}$
Solvency Ratio	$\text{Equity at year-end x 100 / Total assets}$
Return on Equity	$\text{Net Profit/loss for the year X 100 / Average equity}$

Income statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Revenue	1	1,304,814	1,194,701
Cost of production		-1,034,438	-921,008
Gross margin		270,376	273,693
Distribution costs		-162,467	-165,718
Administrative costs		-35,792	-40,186
Operating profit/loss		72,117	67,789
Other operating income	2	2,807	3,440
Profit/loss before financial income and expenses		74,924	71,229
Other financial income	3	271	204
Other financial expenses	4	-320	-570
Profit before tax		74,875	70,863
Tax on result for the year	5	-18,501	-16,096
Net profit/loss for the year	6	56,374	54,767

Balance sheet 31 December

	Note	2020	2019
		TDKK	TDKK
Assets			
Goodwill		3,395	3,799
Intangible assets	7	3,395	3,799
Other fixtures and fittings, tools and equipment		1,291	1,647
Tangible assets	8	1,291	1,647
Other receivables		1,390	1,873
Fixed asset investments	9	1,390	1,873
Fixed assets total		6,076	7,319
Trade receivables		195,357	232,418
Receivables from group company		228,911	104,868
Other receivables		2,028	2,183
Deferred tax asset	10	355	453
Corporation tax		2,139	7,820
Prepayments		344	1,638
Receivables		429,134	349,380
Cash at bank and in hand		11,534	2,995
Current assets total		440,668	352,375
Assets total		446,744	359,694

Balance sheet 31 December

	Note	2020	2019
		TDKK	TDKK
Liabilities and equity			
Share capital		2,300	2,300
Proposed dividends		58,400	50,000
Retained earnings		72,081	74,107
Equity	11	132,781	126,407
Other payables	12	11,204	3,637
Long-term debt		11,204	3,637
Trade payables		17,832	19,190
Payables to group enterprises		243,488	158,744
Other payables		41,439	51,716
Short-term debt		302,759	229,650
Debt total		313,963	233,287
Liabilities and equity total		446,744	359,694

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Events after the Balance sheet date	18

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2020	2,300	74,107	50,000	126,407
Net profit/loss for the year	0	56,374	0	56,374
Dividend paid	0	0	-50,000	-50,000
Proposed dividend	0	-58,400	58,400	0
Equity at 31 December 2020	2,300	72,081	58,400	132,781

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2019	2,300	69,340	303,775	375,415
Net profit/loss for the year	0	54,767	0	54,767
Dividend paid	0	0	-303,775	-303,775
Proposed dividend	0	-50,000	50,000	0
Equity at 31 December 2019	2,300	74,107	50,000	126,407

Notes to the annual report

Information on segments

Activities - primary segment

	2020	2019
	TDKK	TDKK
1 Revenue		
Medical Devices	456,969	462,774
Pharmaceutical	847,845	731,927
	1,304,814	1,194,701

Geographical - secondary segment

	2020	2019
	TDKK	TDKK
Faroe Islands	7,106	2,617
Denmark	1,297,708	1,192,084
	1,304,814	1,194,701

	2020	2019
	TDKK	TDKK
2 Other operating income		
Other operating income	2,807	3,440
	2,807	3,440

	2020	2019
	TDKK	TDKK
3 Financial income		
Exchange adjustments	271	204
	271	204

	2020	2019
	TDKK	TDKK
4 Financial costs		
Other financial costs	267	364
Exchange adjustments costs	53	206
	320	570

Notes to the annual report

	2020	2019
	TDKK	TDKK
5 Tax on profit/loss for the year		
Current tax for the year	17,494	16,379
Adjustment in current income tax relating to previous years	865	0
Change in deferred tax	98	296
Adjustment in deferred tax relating to previous years	44	-579
	18,501	16,096
	<hr/> <hr/>	<hr/> <hr/>
	2020	2019
	TDKK	TDKK
6 Distribution of profit		
Proposed distribution of profit	58,400	50,000
Transfer from/to retained earnings	-2,026	4,767
	56,374	54,767
	<hr/> <hr/>	<hr/> <hr/>

Notes to the annual report

7 Intangible assets

Goodwill	Total TDKK
Cost at 1 January 2020	4,034
Additions for the year	0
Disposals	0
Cost at 31 December 2020	4,034
Impairment losses and depreciation at 1 January 2020	-235
Amortisation for the year	-403
Impairment loss for the year	0
Impairment losses and depreciation at 31 December 2020	-638
Carrying amount at 31 December 2020	3,395
Depreciated over	10 years

As at 27 May 2019 Janssen Cilag A/S the company entered into a Business transfer agreement, involving the transfer of assets from Actelion Pharmaceutical Sverige Aktiebolag's Danish branch. As a result of this transfer of assets Goodwill arose in the value of TDKK 4,034.

Notes to the annual report

8 Tangible assets

	Other fixtures	Leasehold improvements	Total
Cost at 1 January 2020	9,798	3,536	13,334
Additions for the year	259	0	259
Disposals	-180	0	-180
Cost at 31 December 2020	9,877	3,536	13,413
Impairment losses and depreciation at 1 January 2020	-8,151	-3,536	-11,687
Depreciation for the year	-598	0	-598
Depreciation disposal/retirement	163	0	163
Impairment losses and depreciation at 31 December 2020	-8,586	-3,536	-12,122
Carrying amount at 31 December 2020	1,291	0	1,291
Depreciated over	3-10 years	3-10 years	

Notes to the annual report

9 Fixed asset investments	2020	2019
	TDKK	TDKK
Cost at 1 January	1,873	1,467
Additions/Disposals	-483	406
Cost at 31 December	1,390	1,873
Carrying amount at 31 December	1,390	1,873

10 Deferred tax asset	2020	2019
	TDKK	TDKK
Intangible assets	-113	-75
Property, plant and equipment	468	528
Transferred to deferred tax asset	355	453
	0	0

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

Deferred tax asset

Calculated tax asset	355	453
Carrying amount	355	453

11 Equity

The share capital consists of 4,600 shares of a nominal value of TDKK 500. No shares carry any special rights. The company proposed in the financial period ended 31 December 2020 a dividend payout of TDKK 58,400, which is to be paid out in June 2021.

Notes to the annual report

12 Non-current liabilities	2020	2019
	TDKK	TDKK
Holiday payable from 1 to 5 years	11,204	3,637
	11,204	3,637

The long-term other payables regard holiday payables which are due for payment within 1-5 years after the balance sheet date.

13 Staff	2020	2019
	TDKK	TDKK
Wages and Salaries	116,296	97,392
Pension costs	11,650	10,524
	127,946	107,916

Wages and Salaries and pensions are recognised in the following items:

Distribution expenses	79,729	72,231
Administrative expenses	48,217	35,685
	127,946	107,916

Average number of employees	116	109
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The staff expenses includes the company's Management compensation for TDKK 5,721 which included base salary, bonuses, pension and Share Based Compensation payments and other benefits for the year ending 31 December 2020.

The staff expenses includes the company's Management compensation for TDKK 2,913 which included base salary, bonuses, pension and Share Based Compensation payments and other benefits for the year ending 31 December 2019.

Management and other employees are included in Johnson & Johnson, Inc.'s share based compensation program. Stock options are granted with a vesting period of 10 years and maturity of 3 years for stock options and restricted stock units. There are 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

	2020	2019
	TDKK	TDKK
14 Rental agreements and lease commitments		
Operating lease commitments		
Total future lease payments:		
Within 1 year	3,982	2,379
Between 1 and 5 years	4,744	9,411
	8,726	11,790

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

15 Contingent assets, liabilities and other financial obligations

The company is part of a Danish joint taxation with Danish companies in the Johnson & Johnson, Inc. Group. Accordingly, the Company is liable also for income taxes of the jointly taxes 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

16 Related parties and ownership

Controlling interest

Janssen-Cilag AB
Solna, Sweden

Immediate Parent company

Johnson & Johnson, Inc.
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, Inc., New Jersey, USA.

The group annual report of Johnson & Johnson, Inc. may be obtained at the following address:

<https://www.investor.jnj.com/annual-meeting-materials/2020-annual-report>

17 Audit fee

	2020	2019
	TDKK	TDKK
Audit fee	451	428
Of which: audit related fees	428	428

18 Events after the Balance Sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.











[1610013] J-C AS DK 7070 Statutory financial statement FY 2020

Final Audit Report

2021-06-16

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