

Janssen-Cilag A/S

**Bregnerødvej 133, 2
3460 Birkerød**

CVR no. 19 24 86 15

Annual report for 2019

Adopted at the Annual General
Meeting on 23 June 2020

Sven Dohmann

Sven Dohmann (Jun 23, 2020 10:37 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 2019

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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

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, 23 June 2020

Executive Board

Berkeley Vincent

Berkeley Vincent (Jun 23, 2020 10:37 GMT+2)

Berkeley Alexander Vincent

Board of Directors

Sven Dohmann

Sven Dohmann (Jun 23, 2020 10:37 GMT+2)

Sven Kragelund Dohmann
Chairman

Jesus Morcillo

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Jesús Morcillo Garcia

Julie Brooker

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Julie Enevold Brooker

Berkeley Vincent

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Berkeley Alexander Vincent

Jette Zoëga

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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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

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 over-ride 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.

Hellerup, 23 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



René Otto Poulsen (Jul 1, 2020 10:22 GMT+2)

René Otto Poulsen
State Authorised Public Accountant
Mne26718



Jan Boje Andreassen (Jun 23, 2020 10:42 GMT+2)

Jan Boje Andreassen
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Company details

The company

Janssen-Cilag A/S
Bregnerødvej 133, 2
3460 Birkerød

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Website: www.janssen-cilag.dk

CVR no.: 19 24 86 15

Reporting period: 1 January - 31 December 2019

Domicile: Rudersdal

Board of Directors

Sven Kragelund Dohmann, Chairman
Berkeley Alexander Vincent
Jesús Morcillo Garcia
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 19 A 2
1414 Copenhagen, Denmark

Bankers

Nordea Bank Danmark A/S
Slotsgade 44
3400 Hillerød

Financial highlights

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,194,701	1,191,833	968,109	834,738	874,254
Gross profit	273,693	275,074	236,122	261,543	251,744
Operating profit/loss	67,789	77,113	48,904	35,062	25,741
Net financials	-366	-177	53	-502	-4,070
Profit/loss for the year	54,767	60,468	37,063	59,607	14,635
Balance sheet					
Balance sheet total	359,694	674,853	590,967	429,165	439,754
Investment in property, plant and equipment	769	881	316	1,411	5,509
Equity	126,407	375,415	314,947	277,884	218,277
Number of employees	115	106	104	109	116
Financial ratios					
Gross margin (%)	23	23	24	31	29
Profit margin (%)	6	7	5	4	3
Return on assets (%)	19	12	10	14	6
Solvency ratio (%)	35	56	55	65	51
Return on equity (%)	22	16	13	24	11

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 2019 and the results of its operations for the financial year ended 31 December 2019 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). According to management, this outbreak is classified as non-corrective event after the reporting date. 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 54,780 and the balance sheet at 31 December 2019 shows equity of TDKK 126,420.

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 11.2%, and in comparison, Janssen-Cilag A/S has shown a negative growth rate of -0.7%.

In 2018, the Company had a market share of 4.6% (Janssen-Cilag A/S, AIP incl. parallel imports). Compared with last year, the market share for Janssen-Cilag A/S has decreased with 0.56%, which is primarily due to stock-up in the general RX Market, but not on Janssen products, in the end of 2019.

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

Development in the year

Pharmaceuticals

Decline in Pharmaceutical sales is a result of changed buying pattern for some brands at the end of the year, being less volatile compared to end of previous year. Overall, strong CLL (Imbruvica) and Psoriasis (Stelara) sales performance continues with offsetting drop in Velcade sales.

Medical Devices

The sales grew - in total 6.3% - despite continued price pressure and strong competition 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.

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

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.

Management's review

Policies on environment

Johnson & Johnson 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. As a result, we have reduced CO2 emission by 20%.

We have introduced special fees for small order to encourage customers to purchase larger less polluting parcels. We have introduced customers the opportunity for environmentally friendly road shipments, opposed to transportation by plane.

In the Medical Device sector, a management decision was made in 2019 to create a new position as Nordic Sustainability Manager with the purpose to drive sustainability matters in the region. This role will be implemented during 2020, however with some delay due to the COVID-19 crisis. Additional initiatives concerning sustainability (such as the formation of a local group “We Sustain Denmark”) will be initiated during 2020. The company will be taking a more and more proactive role, when it comes to sustainability and will report this in the coming years.

Management's review

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.

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.

We put people first—always—at Johnson & Johnson, a priority you can see reflected in our commitment to having the world's healthiest workforce by 2020. Energy for Performance® Training at Johnson & Johnson is offered by Janssen-Cilag A/S for their employees in Denmark.

By the end of 2019 a so-called “Arbejdspladsvurdering” (Workplace evaluation) was conducted among the Danish employees. The survey gathers information on an anonymous basis about the physical and mental health at the workplace.

In 2019 Janssen-Cilag A/S support Operation Smile by employee initiatives to increase awareness and fund raise.

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.

Management's review

Efforts and results concerning human rights

The Johnson & Johnson 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 religious orientation. As per the company CREDO Janssen-Cilag A/S trains all employees on anti-bias on diversity and inclusion. In 2018 employees were trained on Diversity and Inclusion online, while workshops took place at department level in 2019. Further trainings are planned for 2020 and onwards.

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 2019.

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.

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 distributed to all new employees.

In 2019, 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 2019 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 2019 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.

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.

Certain amounts have been reclassified in the comparative figures for 2018 to ensure the same presentation.

Accounting policies

Administrative costs

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

Certain amounts have been reclassified in the comparative figures for 2018 to ensure the same presentation.

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 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, which is evaluated on an annual basis, 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
Leasehold 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.

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 10 years useful life.

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 amortized 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

Accounting policies

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 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	2019	2018
		TDKK	TDKK
Revenue	1	1,194,701	1,191,833
Cost of productions		-921,008	-916,759
Gross profit		273,693	275,074
Distribution costs		-165,718	-161,177
Administrative costs		-40,186	-36,784
Operating profit/loss		67,789	77,113
Other operating income	2	3,440	2,138
Profit/loss before financial income and expenses		71,229	79,251
Financial income	3	204	108
Financial costs	4	-570	-285
Profit/loss before tax		70,863	79,074
Tax on profit/loss for the year	5	-16,096	-18,606
Net profit/loss for the year		54,767	60,468
Distribution of profit	6		
Proposed distribution of profit		50,000	303,775
Transferred from/to retained earnings		4,767	-243,307
		54,767	60,468

Balance sheet 31 December

	Note	2019 TDKK	2018 TDKK
Assets			
Goodwill		3,799	0
Intangible assets	7	3,799	0
Other fixtures and fittings, tools and equipment		1,647	1,482
Tangible assets	9	1,647	1,482
Other receivables		1,873	1,467
Fixed asset investments	10	1,873	1,467
Fixed assets total		7,319	2,949
Trade receivables		232,418	233,282
Receivables from group company		104,868	406,616
Other receivables		2,183	2,470
Deferred tax asset	11	453	749
Corporation tax		7,820	0
Prepayments		1,638	240
Receivables		349,380	643,357
Cash at bank and in hand		2,995	16,144
Current assets total		352,375	659,501
Assets total		359,694	662,450

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Liabilities and equity			
Share capital		2,300	2,300
Proposed dividends		50,000	303,775
Retained earnings		74,107	69,340
Equity	12	<u>126,407</u>	<u>375,415</u>
Other payables	13	<u>3,637</u>	<u>0</u>
Long-term debt		<u>3,637</u>	<u>0</u>
Trade payables		19,190	14,228
Payables to group company		158,744	231,994
Corporation tax payable		0	1,881
Other payables		51,716	38,932
Short-term debt		<u>229,650</u>	<u>287,035</u>
Debt total		<u>233,287</u>	<u>287,035</u>
Liabilities and equity total		<u><u>359,694</u></u>	<u><u>662,450</u></u>
Staff	14		
Rental agreements and lease commitments	15		
Contingent assets, liabilities and other financial obligations	16		
Related parties and ownership	17		
Audit fees	18		
Events after the Balance sheet date	19		

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 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
	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2018	2,300	312,647	0	314,947
Net profit/loss for the year	0	60,468	0	60,468
Proposed dividend	0	-303,775	303,775	0
Equity at 31 December 2018	2,300	69,340	303,775	375,415

Notes to the annual report

Information on segments

Activities - primary segment

	2019	2018
	TDKK	TDKK
1 Revenue		
Medical Devices	462,774	437,110
Pharmaceutical	731,927	754,723
	1,194,701	1,191,833

Geographical - secondary segment

	2019	2018
	TDKK	TDKK
Faroe Islands	2,617	2,666
Denmark	1,192,084	1,189,167
	1,194,701	1,191,833

	2019	2018
	TDKK	TDKK
2 Other operating income		
Other operating income	3,440	2,138
	3,440	2,138

	2019	2018
	TDKK	TDKK
3 Financial income		
Exchange adjustments	204	108
	204	108

Notes to the annual report

	2019	2018
	TDKK	TDKK
4 Financial costs		
Other financial costs	364	215
Exchange adjustments costs	206	70
	570	285
	2019	2018
	TDKK	TDKK
5 Tax on profit/loss for the year		
Current tax for the year	16,379	18,369
Deferred tax for the year	296	237
Deferred tax adjustment regarding previous year	-579	
	16,096	18,606
	2019	2018
	TDKK	TDKK
6 Distribution of profit		
Proposed distribution of profit	50,000	303,775
Transfer from/to retained earnings	4,767	-243,307
	54,767	60,468

Notes to the annual report

7 Intangible assets

Goodwill	Total TDKK
Cost at 1 January 2019	-
Additions for the year	4,034
Disposals	-
Cost at 31 December 2019	<u>4,034</u>
Impairment losses and depreciation at 1 January 2019	-
Amortisation for the year	-235
Impairment losses and depreciation at 31 December 2019	-
Carrying amount at 31 December 2019	<u>3,799</u>
Depreciated over	10 år

As at 27 May 2019 Janssen Cilag A/S the company entered into a Business transfer agreement, involving the transfer of assets from Actelion Pharmaceuteical Sverige Aktiebolag's Danish branch (Note 8). As a result of this transfer of assets Goodwill arose in the value of TDKK 4,034 and amortisation of TDKK 235.

Notes to the annual report

8 Business combination

During the year, the Company entered a Business Transfer Agreement signed on 27 May 2019, which determined the business transfer as a going concern of Actelion Pharmaceuticals Sverige Aktiefbolag's Danish Branch towards payment of a cash consideration of USD 890,000 (DKK 5,977,163) as an Initial Purchase Price. The cash consideration has been paid to Actelion's Sole Shareholder, which is Janssen Cilag AB as of 2017 and the Sole Shareholder of Janssen - Cilag A/S as well.

All the parties involved are part of Johnson & Johnson Group, and the transaction was carried-out based on a reorganization plan of Actelion's branches located in different countries in Northern Europe in order to integrate their business with the already existing subsidiaries of Johnson & Johnson Group.

9 Tangible assets

	Other fixtures	Leasehold improvements	Total
Cost at 1 January 2019	9,865	3,757	13,622
Additions for the year	769	-	769
Disposals	-836	-221	-1,057
Cost at 31 December 2019	9,798	3,536	13,334
Impairment losses and depreciation at 1 January 2019	-8,383	-3,757	-12,140
Depreciation for the year	-604	-	-604
Depreciation disposal/retirement	836	221	1,057
Impairment losses and depreciation at 31 December 2019	-8,151	-3,536	-11,687
Carrying amount at 31 December 2019	1,647	-	1,647
Depreciated over	3-10 år	10 år	

Notes to the annual report

10 Fixed asset investments	<u>2019</u> TDKK	<u>2018</u> TDKK
Cost at 1 January	1,467	1,387
Additions	406	80
Cost at 31 December	<u>1,873</u>	<u>1,467</u>
Carrying amount at 31 December	<u>1,873</u>	<u>1,467</u>
	<u>2019</u> TDKK	<u>2018</u> TDKK
11 Deferred tax asset		
Intangible assets	-75	0
Property, plant and equipment	528	749
Transferred to deferred tax asset	453	749
	<u>-</u>	<u>-</u>
Deferred tax has been provided at 22.0% per the current tax rate.		
Deferred tax asset		
Calculated tax asset	453	749
Carrying amount	<u>453</u>	<u>749</u>

12 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 as at 31 December 2019 a dividend payout of TDKK 50,000, which is to be paid out on 25 June 2020.

Notes to the annual report

13 Non-current Other payables	2019	2018
	TDKK	TDKK
Holiday payable from 1 to 5 years	3,637	0
	3,637	0

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

14 Staff	2019	2018
	TDKK	TDKK
Wages and Salaries	104,111	93,944
Pensions	3,804	3,366
	107,916	97,310

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

Distribution expenses	72,231	69,768
Administrative expenses	35,685	27,542
	107,916	97,310

Average number of employees	115	106
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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. 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

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
15 Rental agreements and lease commitments		
Operating lease commitments.		
Total future lease payments:		
Within 1 year	2,379	962
Between 1 and 5 years	<u>9,411</u>	<u>8,785</u>
	<u>11,790</u>	<u>9,747</u>

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

16 Contingent assets, liabilities and other financial obligations

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 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

17 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/annual-meeting-materials/2019-annual-report>

Notes to the annual report

	2019	2018
	TDKK	TDKK
18 Audit fee		
Total fee	515	551
Of which: audit related fees	428	441

19 Events after the Balance Sheet date

As of the financial statement issuance date, the country, region and world are continuing to be impacted by the coronavirus (COVID-19). According to management, this outbreak is classified as non-corrective event after the reporting date. 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.