

# **McNeil Denmark ApS**

**CVR-nr. 30 07 70 08**

**Annual report for 2017**

Adopted at the annual general  
meeting on Monday, May 28, 2018

A handwritten signature in blue ink, consisting of several overlapping, slanted strokes, positioned above a horizontal line.

---

Thomas Roat Jorgensen  
Chairman

## **Contents**

	<b>Page</b>
<b>Statements</b>	
Statement by management on the annual report	1
Independent auditor's report	2
<b>Management's review</b>	
Company details	5
Financial highlights	6
Management's review	7
<b>Financial statements</b>	
Accounting policies	9
Income statement 1 January 2017 - 31 December 2017	12
Balance sheet at 31 December 2017	13
Statement of changes in equity	15
Notes to the annual report	16

**Statement by management on the annual report**

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

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

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

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

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

Birkerød, 28 May 2018

**Executive board**



Thomas Rønt Jørgensen

## **Independent auditor's report**

*To the shareholder of McNeil Denmark ApS*

### **Opinion**

We have audited the financial statements of McNeil Denmark ApS 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.

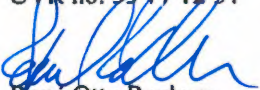
In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Hellerup, 28 May 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

  
René Otto Poulsen  
Statsautoriseret revisor  
MNE no. mne26718



Jan Boje Andreassen  
Statsautoriseret revisor  
MNE no. mne2338

## Company details

### The company

McNeil Denmark ApS  
Bregnerodvej 133, 2  
DK-3460 Birkerød

Telephone: +4570205212

Fax: +4570205213

Website: [www.mcneil.dk](http://www.mcneil.dk)

CVR no.: 30 07 70 08

Reporting period: 1 January - 31 December 2017

Domicile: Rudersdal

### Executive board

Thomas Roat Jorgensen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

### Lawyers

NOVI Advokater  
Strandgade 52  
1401 København

### Bankers

Nordea Bank Danmark A/S  
Slotsgate 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:

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Revenue	299,698	278,179	258,242	247,935	242,844
Gross profit	120,311	113,485	105,515	107,375	102,327
Operating profit/loss	14,989	14,817	20,274	17,926	12,576
Net financials	-17	-345	-759	-3	-58
Profit/loss for the year	11,590	11,208	15,352	13,142	93,378
<b>Balance sheet</b>					
Balance sheet total	268,085	243,456	217,043	215,751	197,029
Equity	211,020	199,430	188,222	172,871	159,761
Number of employees	20	19	18	18	18
<b>Financial ratios</b>					
Gross margin (%)	40	41	41	43	42
Profit margin	5	5	8	7	5
Return on assets	6	6	9	8	6
Solvency ratio (%)	79	82	87	80	81
Return on Equity	5.6%	5.8%	8.4%	7.9%	82.2%

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**

In the Danish market, McNeil Denmark ApS sells non-prescription drugs to wholesalers, pharmacies and grocery stores, as well as various tenders for the Danish hospital service. Despite various market challenges for McNeil Denmark ApS, the financial base remains extremely strong.

### **Recognition and measurement uncertainties**

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

### **Business review**

The Company's income statement for the year ended 31 December shows a profit of TDKK 11,590, and the balance sheet at 31 December 2017 shows equity of TDKK 211,020.

### **Financial review**

2017 was a rewarding year for the Danish business with overall strong business results. The main drivers were Nicorette and retailers preparations for new legislation for OTC self selection. Company completed divestment of Compeed trade mark which has minor impact of the total size of the business in 2018. Expectations for 2018 are positive and it is expected that same momentum with self selection and OTC portfolio continues. The growth will be based on the expected growth of existing trademarks with a few minor product launches in 2018.

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

#### ***Operating risks***

The Company is highly dependent on the OTC part of the portfolio, which represents 89% of sales, of which 68% is produced in one production facility. Any manufacturing disturbance at this facility could therefore significantly impact the Company.

The Company is working with one Distribution in the Danish market where all the sales is going through. This does represent a certain risk.

#### ***Currency risks***

The company's products are purchased and sold primarily in Danish currency, so foreign exchange risks are eliminated.

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

No production takes place in Denmark; most of the drugs are bought in packaging designed for the Danish market, whereas most of the consumer products are bought in Nordic packaging. Destruction of expired and surplus drugs is carried out by Kommunekemi in accordance with industry standards.

**Management's review**

**Research and development activities in and for reporting entity**

Each year, Johnson & Johnson(including McNeil) makes considerable investments worldwide in research and development of new products.

## **Accounting policies**

The annual report of McNeil Denmark ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C as well as selected provisions as regards larger entities.

The annual report for 2017 is presented in TDKK.

### **Share Based Compensation**

A number of the Company's employees are covered by share option schemes. The shared based instruments are recognized and booked as staff expense when the shares are exercised and invoiced from the mother company in the US.

### **Income statement**

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognised 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.

#### **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 recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses.

#### **Tax on profit/loss for the year**

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

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

## **Accounting policies**

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**

#### **Receivables**

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

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

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

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

#### **Liabilities**

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

#### **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 parent company, as the parent company's cash flows are included in the consolidated cash flow statement cf. Danish Financial Statements Act paragraph 86.

**Accounting policies**

**Financial Highlights**

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

## Income statement 1 January 2017 - 31 December 2017

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Revenue</b>		<b>299,698</b>	<b>278,179</b>
Cost of goods sold		<u>-179,387</u>	<u>-164,694</u>
<b>Gross profit</b>		<b>120,311</b>	<b>113,485</b>
Distribution costs		-97,689	-90,143
Administrative costs		<u>-7,633</u>	<u>-8,525</u>
<b>Operating profit/loss</b>		<b>14,989</b>	<b>14,817</b>
Financial income	1	30	103
Financial costs	2	<u>-47</u>	<u>-448</u>
<b>Profit/loss before tax</b>		<b>14,972</b>	<b>14,472</b>
Tax on profit/loss for the year	3	<u>-3,382</u>	<u>-3,264</u>
<b>Net profit/loss for the year</b>		<b><u>11,590</u></b>	<b><u>11,208</u></b>
Retained earnings		<u>11,590</u>	<u>11,208</u>
		<b><u>11,590</u></b>	<b><u>11,208</u></b>

**Balance sheet at 31 December 2017**

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Assets</b>			
Trade receivables		38,432	27,026
Receivables from group enterprises		<u>199,035</u>	<u>216,021</u>
<b>Receivables</b>		<u><b>237,467</b></u>	<u><b>243,047</b></u>
<b>Cash at bank and in hand</b>		<u><b>30,618</b></u>	<u><b>409</b></u>
<b>Current assets total</b>		<u><b>268,085</b></u>	<u><b>243,456</b></u>
<b>Assets total</b>		<u><u><b>268,085</b></u></u>	<u><u><b>243,456</b></u></u>

**Balance sheet at 31 December 2017**

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Liabilities and equity</b>			
Share capital		125	125
Retained earnings		<u>210,895</u>	<u>199,305</u>
<b>Equity</b>		<u><b>211,020</b></u>	<u><b>199,430</b></u>
Trade payables		9,038	9,223
Payables to group enterprises		32,529	19,518
Corporation tax		3,382	3,254
Other payables		<u>12,116</u>	<u>12,031</u>
<b>Short-term debt</b>		<u><b>57,065</b></u>	<u><b>44,026</b></u>
<b>Debt total</b>		<u><b>57,065</b></u>	<u><b>44,026</b></u>
<b>Liabilities and equity total</b>		<u><u><b>268,085</b></u></u>	<u><u><b>243,456</b></u></u>
Staff	4		
Contingent assets, liabilities and other financial obligations	5		
Related parties and ownership	6		



## McNeil Denmark ApS

### Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity	125	199,305	199,430
<i>Equity at 1 January 2017</i>			
Net profit/loss for the year	<u>0</u>	<u>11,590</u>	<u>11,590</u>
<b>Equity</b>	<b><u>125</u></b>	<b><u>210,895</u></b>	<b><u>211,020</u></b>

### Equity at 31 December 2017

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity	125	188,097	188,222
<i>Equity 1. January 2016</i>			
Net profit/loss for the year	<u>0</u>	<u>11,208</u>	<u>11,208</u>
<b>Equity</b>	<b><u>125</u></b>	<b><u>199,305</u></b>	<b><u>199,430</u></b>

### Equity 31. December 2016

## Notes to the annual report

	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>1 Financial income</b>		
Exchange gain	30	103
	<u>30</u>	<u>103</u>
	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>2 Financial costs</b>		
Other financial costs	24	365
Exchange loss	23	83
	<u>47</u>	<u>448</u>
	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	3,382	3,254
Deferred tax for the year	0	10
	<u>3,382</u>	<u>3,264</u>

## Notes to the annual report

	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>4 Staff</b>		
Wages and Salaries	13,888	12,781
Pensions	2,409	2,109
Other social security expenses	119	82
Other staff expenses	<u>454</u>	<u>463</u>
	<u><b>16,870</b></u>	<u><b>15,435</b></u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Distribution expenses	15,641	14,398
Administrative expenses	<u>1,229</u>	<u>1,037</u>
	<u><b>16,870</b></u>	<u><b>15,435</b></u>
Average number of employees	<u>20</u>	<u>19</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 & Johnson's share based compensation program. Warrants are granted with a vesting period of 4 years. 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

### 5 Contingent assets, liabilities and other financial obligations

The Company is included in Danish joint taxation. Consequently, under the rules of the Danish Corporation Tax Act, the Company is jointly and severally liable for income tax etc of the jointly taxed companies.

The company has entered into operating leases with an average annual benefit of TDKK 438. Leasing contracts have a residual maturity of up to 47 months with a total residual lease payment of TDKK 1,752.

The company has entered into a lease agreement, in which the company has a cost during the notice period of TDKK 645.

### 6 Related parties and ownership

Cilag Holding AG, Schweiz, Switzerland  
Immediate Parent Company  
Johnson & Johnson, New Jersey, USA  
Ultimate Parent Company

#### Other related parties

Thomas Roat Jorgensen - Chairman

#### Transactions

All intercompany transactions are based on market value.

#### Ownership

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

Cilag Holding AG, Switzerland

#### Consolidated financial statements

Consolidated Financial Statements have not been prepared as the Group meets the exemption provisions in section 112 of the Danish Financial Statements Act for subgroups. The Company is included in the consolidated financial statements of Johnson & Johnson, New Jersey, USA. Reference is made to the Company's annual report on the internet address: <http://www.investor.jnj.com/secfiling.cfm?filingID=200406-18-5&CIK=200406>

## Notes to the annual report

### **6 Related parties and ownership (Continued)**

Consolidated Financial Statements have not been prepared, as the Group meets the exemption provisions in section 112 of the Danish Financial Statements Act for subgroups. The Company is included in the consolidated financial statements of Johnson & Johnson, New Jersey, USA. Reference is made to the Company's annual report on the Internet Address: <http://www.investor.jnj.com/secfiling.cfm?filingID=200406-16-71&CIK=200406>