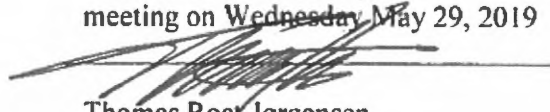


# **McNeil Denmark ApS**

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

**Annual report for 2018**

Adopted at the annual general  
meeting on Wednesday May 29, 2019

A handwritten signature in black ink, appearing to read 'Thomas Roat Jørgensen', is written over a horizontal line.

Thomas Roat Jørgensen  
Chairman

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## **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 2018.

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

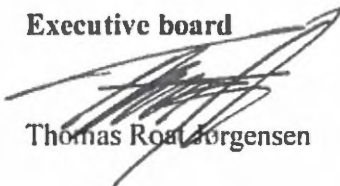
In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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, May 29, 2019

**Executive board**

A handwritten signature in black ink, appearing to read 'Thomas Roal Jørgensen', is written over the printed name. The signature is stylized and somewhat illegible due to overlapping strokes.

Thomas Roal Jørgensen

## ***Independent Auditor's Report***

To the Shareholder of McNeil Denmark ApS

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of McNeil Denmark ApS for the financial year 1 January - 31 December 2018, 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 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.

Hellerup, 29 May 2019  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



René Otto Poulsen  
State Authorised Public Accountant  
Mne26718



Jan Boje Andreassen  
State Authorised Public Accountant  
Mne2338

## Company details

### The company

McNeil Denmark  
Bregnerødvej 133, 2  
3460 Birkerød

Telephone: +45 70205212

Fax: +45 70205213

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

CVR no.: 30 07 70 08

Reporting period: 1 January - 31 December 2018

Domicile: Rudersdal

### Executive board

Thomas Roat Jørgensen

### 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

### General meeting

The annual general meeting is held at the company's address on 29 May 2019.

## Financial highlights

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

	<u>2018</u> TDKK	<u>2017</u> TDKK	<u>2016</u> TDKK	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>Key figures</b>					
Revenue	304,394	299,698	278,179	258,242	247,935
Gross profit	120,070	120,311	113,485	105,515	107,375
Operating profit/loss	16,399	14,989	14,817	20,274	17,926
Net financials	-21	-17	-345	-759	-3
Profit/loss for the year	12,728	11,590	11,208	15,352	13,142
<b>Balance sheet</b>					
Balance sheet total	295,240	268,085	243,456	217,043	215,751
Equity	223,748	211,022	199,430	188,222	172,871
Number of employees	22	20	19	18	18
<b>Financial ratios</b>					
Gross margin (%)	39	40	41	41	43
Profit margin (%)	5	5	5	8	7
Return on assets (%)	6	6	6	9	8
Solvency ratio (%)	77	79	82	87	80
Return on Equity	5.8%	5.6%	5.8%	8.4%	7.9%

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. In 2018, the company had a 43,6% market share in the OTC category in the Danish market, which is 1,9% higher than in 2017. 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.

### **Financial review**

The Company's income statement for the year ended 31 December shows a profit of TDKK 12,728, and the balance sheet at 31 December 2018 shows equity of TDKK 223,748.

2019 is expected to be a challenging year for the Danish business, but overall expectations are positive based on the expected growth of existing trademarks. A few small products will be introduced to the market in 2019, but the major growth drivers are commercial innovation and deregulation of OTC on existing portfolios.

### **The year at glance and follow-up on expectations from last year**

Based on our "conduct of policy", we develop, register, market and sell high quality products that improve quality of life by the best possible prevention, cure and relief. We focus on providing our business partners with the best possible conditions. This applies especially to patients, doctors, nurses and other therapists, but also to suppliers, producers, authorities and society. We want to be a leader within our focus area by offering the best products of the highest quality.

### **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 93% of sales, of which 65% 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.

### **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 2018 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 2018 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/exchang gains and losses.

## **Accounting policies**

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

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

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

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

### **Balance sheet**

#### **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.

## Accounting policies

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.

## 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 2018 - 31 December 2018

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>Revenue</b>		304,394	299,698
Cost of goods sold		<u>-184,324</u>	<u>-179,387</u>
<b>Gross profit</b>		120,070	120,311
Distribution costs		-94,149	-97,689
Administrative costs		<u>-9,522</u>	<u>-7,633</u>
<b>Operating profit/loss</b>		16,399	14,989
Financial income	1	22	30
Financial costs	2	<u>-43</u>	<u>-47</u>
<b>Profit/loss from ordinary activities before tax</b>		16,378	14,972
Tax on profit/loss for the year	3	<u>-3,650</u>	<u>-3,382</u>
<b>Net profit/loss for the year</b>		<u>12,728</u>	<u>11,590</u>
<b>Distribution of Profit</b>			
Proposed distribution of profit		223,623	0
Transfer to / (from) retained earnings		<u>(210,895)</u>	<u>11,590</u>
<b>Total</b>		<u>12,728</u>	<u>11,590</u>

**Balance sheet at 31 December 2018**

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>Assets</b>			
Trade receivables		42,250	38,432
Receivables from group enterprises		<u>250,850</u>	<u>199,035</u>
<b>Receivables</b>		<u>293,100</u>	<u>237,467</u>
<b>Cash at bank and in hand</b>		<u>2,140</u>	<u>30,618</u>
<b>Current assets total</b>		<u>295,240</u>	<u>268,085</u>
<b>Assets total</b>		<u>295,240</u>	<u>268,085</u>

**Balance sheet at 31 December 2018**

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>Liabilities and equity</b>			
Share capital		125	125
Proposed dividends		223,623	0
Retained earnings		<u>0</u>	<u>210,895</u>
<b>Equity</b>		<b><u>223,748</u></b>	<b><u>211,020</u></b>
Trade payables		9,196	9,038
Payables to group enterprises		43,853	32,529
Corporation tax		3,650	3,382
Other payables		<u>14,793</u>	<u>12,116</u>
<b>Short-term debt</b>		<b><u>71,492</u></b>	<b><u>57,065</u></b>
<b>Debt total</b>		<b><u>71,492</u></b>	<b><u>57,065</u></b>
<b>Liabilities and equity total</b>		<b><u>295,240</u></b>	<b><u>268,085</u></b>
Staff	4		
Equity	5		
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## McNeil Denmark ApS

### Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
<i>Equity at 1 January 2018</i>	125	210,895	0	211,020
Net profit/loss for the year	0	12,728	0	12,728
Proposed dividend	<u>0</u>	<u>(223.623)</u>	<u>223.623</u>	<u>0</u>
<b>Equity at 31 December 2018</b>	<b><u>125</u></b>	<b><u>0</u></b>	<b><u>223.623</u></b>	<b><u>223.748</u></b>

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
<i>Equity 1 January 2017</i>	125	199,305	<u>TDKK</u>	199,430
Net profit/loss for the year	<u>0</u>	<u>11.590</u>	<u>0</u>	<u>11.590</u>
<b>Equity at 31 December 2017</b>	<b><u>125</u></b>	<b><u>210.895</u></b>	<b><u>0</u></b>	<b><u>211.020</u></b>



## Notes to the annual report

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>1 Financial income</b>		
Exchange gain	<u>22</u>	<u>30</u>
	<u><b>22</b></u>	<u><b>30</b></u>
	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>2 Financial costs</b>		
Other financial costs	17	24
Exchange loss	<u>26</u>	<u>23</u>
	<u><b>43</b></u>	<u><b>47</b></u>
	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	<u>3.650</u>	<u>3.382</u>
	<u><b>3.650</b></u>	<u><b>3.382</b></u>

## Notes to the annual report

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>4 Staff</b>		
Wages and Salaries	15,278	13,888
Pensions	2,512	2,409
Other social security expenses	(79)	119
Other staff expenses	<u>488</u>	<u>454</u>
	<u><b>18,199</b></u>	<u><b>16,870</b></u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:	<u>2018</u> TDKK	<u>2017</u> TDKK
Distribution expenses	17,120	15,641
Administrative expenses	<u>1,079</u>	<u>1,229</u>
	<u><b>18,199</b></u>	<u><b>16,870</b></u>
Average number of employees	<u>22</u>	<u>20</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 Equity

The company proposed a dividend payout of DKK 223,622,936, which is expected to be paid out by 18 July 2019.

### 6 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 441. Leasing contracts have a residual maturity of up to 47 months with a total residual lease payment of TDKK 1,765.

The company has entered into a lease agreement, in which the company has a cost during the notice period of TDKK 654.

### 7 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 Jørgensen - 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

The Company is included in the consolidated financial statements of Johnson & Johnson, New Jersey, USA. References 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

### 8 Subsequent Events

No post balance sheet events have occurred that would have a significant influence on the evaluation of the Annual Accounts.