

McNeil Denmark ApS

Bregnerødvej 133
3460 Birkerød

CVR-nr. 30 07 70 08

Annual report for 2019

Adopted at the annual general meeting
on June 22, 2020

Thomas Roat Jørgensen

Thomas Roat Jørgensen (Jun 22, 2020 16:00 GMT+2)

Thomas Roat Jørgensen
Chief Executive Officer

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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 2019.

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

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, June 22, 2020

Executive board

Thomas Roat Jørgensen

Thomas Roat Jørgensen (Jun 22, 2020 16:00 GMT+2)

Thomas Roat Jørgensen
Chief Executive Officer

John Jensen

John Jensen (Jun 22, 2020 16:03 GMT+2)

John Jensen
Executive Officer

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 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 McNeil Denmark ApS 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.

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, 22 June 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



René Otto Poulsen (Jul 1, 2020 10:01 GMT+2)

René Otto Poulsen
State Authorised Public Accountant
Mne26718



Jan Boje Andreassen (Jun 24, 2020 08:05 GMT+2)

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Company details

The company

McNeil Denmark
Bregnerødvej 133, 2
3460 Birkerød

Telephone: +45 70205212

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Website: www.mcneil.dk

CVR no.: 30 07 70 08

Reporting period: 1 January - 31 December 2019

Domicile: Rudersdal

Executive board

Thomas Roat Jørgensen (Chief Executive Officer)
John Jensen (Executive Officer)

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Lawyers

Advokat Steffen Theodor Petersen
Overgaden Neden Vandet 19 A 2
1414 Copenhagen K
Denmark

Bankers

Nordea Bank Danmark A/S
Slotsgate 44
3400 Hillerød

General meeting

The annual general meeting is held at the company's address on June 22, 2020.

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					
Revenue	324,866	304,394	299,698	278,179	258,242
Gross profit	113,024	120,070	120,311	113,485	105,515
Operating profit	16,243	16,399	14,989	14,817	20,274
Net financials	38	-21	-17	-345	-759
Profit for the year	12,594	12,728	11,590	11,208	15,352
Balance sheet					
Balance sheet total	81,830	295,240	268,085	243,456	217,043
Equity	12,719	223,748	211,022	199,430	188,222
Number of employees	21	22	20	19	18
Financial ratios					
Gross margin (%)	35	39	40	41	41
Profit margin (%)	5	5	5	5	8
Return on assets (%)	20	6	6	6	9
Solvency ratio (%)	16	77	79	82	87
Return on Equity	10.7%	5.8%	5.6%	5.8%	8.4%

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 2019, the company had a 43,6% market share in the OTC category in the Danish market, which is same as in 2018. 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 12,594 and the balance sheet at 31 December 2019 shows equity of TDKK 12,719.

2020 is expected to be a year of growth for the Danish business, the expected growth is coming from existing trademarks as well as the acquisition of the Ipren trademark from Takeda on April 6 2020. The major growth drivers are commercial innovation and deregulation of OTC on existing portfolios as well as the above-mentioned acquisition.

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.

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 2019 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 2019 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.

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 2019 - 31 December 2019

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Revenue		324,866	304,394
Cost of goods sold		(211,843)	(184,324)
Gross profit		113,023	120,070
Distribution costs		(91,389)	(94,149)
Administrative costs		(5,391)	(9,522)
Operating profit		16,243	16,399
Financial income	1	29	22
Financial costs	2	(67)	(43)
Profit from ordinary activities before tax		16,205	16,378
Tax on profit for the year	3	(3,611)	(3,650)
Net profit for the year		12,594	12,728
Distribution of Profit			
Proposed distribution of profit		0	223,623
Transfer to / (from) retained earnings		12,594	(210,895)
Total		12,594	12,728

Balance sheet at 31 December 2019

	<u>Note</u>	<u>2019</u>	<u>2018</u>
		TDKK	TDKK
Assets			
Trade receivables		45 532	42,250
Other receivables		546	0
Receivables from group enterprises		31 740	250,850
Receivables		<u>77 818</u>	<u>293,100</u>
Cash at bank and in hand		<u>4 013</u>	<u>2,140</u>
Current assets total		<u>81 831</u>	<u>295,240</u>
Assets total		<u><u>81 831</u></u>	<u><u>295,240</u></u>

Balance sheet at 31 December 2019

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Liabilities and equity			
Share capital		125	125
Proposed dividends		0	223,623
Retained earnings		12 594	0
		<u>12 719</u>	<u>223,748</u>
Equity			
Other payables	4	593	0
Long-term liabilities		<u>593</u>	<u>0</u>
Trade payables		10 565	9,196
Payables to group enterprises		44 525	43,853
Corporation tax		3 611	3,650
Other payables		9 818	14,793
Short-term debt		<u>68 519</u>	<u>71,492</u>
Debt total		<u>69 112</u>	<u>71,492</u>
Liabilities and equity total		<u>81 831</u>	<u>295,240</u>
Staff	5		
Equity	6		
Contingent assets, liabilities and other financial obligations	7		
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Statement of changes in equity

	<u>Share_</u> <u>capital</u>	<u>Retained_</u> <u>earnings</u>	<u>Proposed_</u> <u>dividend</u>	<u>Total</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
<i>Equity at 1 January 2019</i>	125	0	223,623	223,748
Net profit for the year	0	12,594	0	12,594
Dividend distribution	0	0	(223,623)	(223,623)
Equity at 31 December 2019	<u>125</u>	<u>12,594</u>	<u>0</u>	<u>12,719</u>

	<u>Share</u> <u>capital</u>	<u>Retained</u> <u>earnings</u>	<u>Proposed</u> <u>dividend</u>	<u>Total</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
<i>Equity 1 January 2018</i>	125	210,895	0	211,020
Net profit for the year	0	12,728	0	12,728
Proposed dividend	0	(223,623)	223,623	0
Equity at 31 December 2018	<u>125</u>	<u>0</u>	<u>223,623</u>	<u>223,748</u>

Notes to the annual report

	<u>2019</u> TDKK	<u>2018</u> TDKK
1 Financial income		
Exchange gain	29	22
	<u>29</u>	<u>22</u>
	<u>2019</u> TDKK	<u>2018</u> TDKK
2 Financial costs		
Other financial costs	22	17
Exchange loss	45	26
	<u>67</u>	<u>43</u>
	<u>2019</u> TDKK	<u>2018</u> TDKK
3 Tax on profit for the year		
Current tax for the year	3,611	3,650
	<u>3,611</u>	<u>3,650</u>
	<u>2019</u> TDKK	<u>2018</u> TDKK
4 Other payables		
Holiday payable term within 1 year	1 600	0
Holiday payable term from 1 to 5 years	593	0
	<u>2 193</u>	<u>0</u>

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

Notes to the annual report

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
5 Staff		
Wages and salaries	14,000	15,278
Pensions	2,687	2,512
Other social security expenses	119	(79)
Other staff expenses	447	488
	<u>17,253</u>	<u>18,199</u>
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
Distribution cost	16,097	17,120
Administrative cost	1,156	1,079
	<u>17,253</u>	<u>18,199</u>
Average number of employees	<u>21</u>	<u>22</u>

The staff expenses includes the company's Management compensation for TDKK 3 840 of gross salary, and pension expense for TDKK 483 for the year ending 31 December 2019.

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed for the financial year ended in 31 December 2018.

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

Payment to the parent company regarding shares delivered to employees according to the program are recognized as expense in the income statement.

6 Equity

In the previous year, the company proposed a dividend payout of DKK 223,622,936, which has been paid out by 18 July 2019.

Currently the equity composition is made of Share capital of TDKK 125 and the profit of the year for TDKK 12,594.

7 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.

8 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 – Chief Executive Officer

John Jensen – Executive Officer

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:

<https://johnsonandjohnson.gcs-web.com/static-files/ffd0ad42-ac56-4fd4-8fc2-b033c4ed62c>

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9 Subsequent Events

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 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.

No other post balance sheet events have occurred that would significant influence on the evaluation of the annual accounts.