

Ferrosan ApS

Annual Report 2018/19

Chairman of the Annual General Meeting

27 August 2020

Niels Walther-Rasmussen

Lautrupvang 8, DK-2750 Ballerup, Denmark
Registration no. 13 24 60 92

The Annual Report contains 19 pages

Financial statements 1 December – 31 December

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Statement by the Board of Directors and the Executive Board

The Board of directors and the Executive board have today discussed and approved the annual report of Ferrosan ApS for the financial year 1 December 2018 - 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 December 2018 - 31 December 2019.

Further, in our opinion, the management's review gives a fair review of the matters discussed in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Ballerup, Denmark 27 August 2020

Executive Board:

.....
Michael Pedersen

Board of Directors:

.....
Meelis Reidla
Chairman

.....
Michael Pedersen

.....
Thomas Maximilian
Maurer

Financial statements 1 December – 31 December

Independent auditors' report

To the shareholders of Ferrosan ApS

Opinion

We have audited the financial statements of Ferrosan ApS for the financial year 1 December 2018 – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes. The financial statements are 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 assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 December 2018 – 31 December 2019 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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.

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Independent auditors' report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional skepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the Company 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 under-lying transactions and events in a manner that gives a true and fair view.

Financial statements 1 December – 31 December

Independent auditors' report

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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No. 25 57 81 98

Lau Bent Baun

State Authorised Public Accountant

mne26708

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Management's Review

Company Details

Address, zip code, city	Lautrupvang 8, DK-2750 Ballerup, Denmark
CVR no.	13 24 60 92
Home Page	https://dk.gsk.com/da-dk/
Tel.	+45 44 86 86 86
Board of Directors	Meelis Reidla, Chairman Michael Pedersen Thomas Maximilian Maurer
Executive Board	Michael Pedersen
Auditors	KPMG Statsautoriseret Revisionspartnerselskab, Dampfærgevej 28, DK-2100 Copenhagen, Denmark

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Management's review

The Company's business review

Ferrosan ApS is a part of the consumer healthcare joint venture between the British Glaxo Smith Kline-GSK and the American Pfizer group, both multinational pharmaceutical groups listed on the New York Stock Exchange.

Ferrosan ApS is a part of the consumer healthcare business and specialises in dietary supplement and lifestyle products.

Financial review

Ferrosan is an international consumer healthcare Company with supplements and lifestyle products operating in the Supplements & Lifestyle Products industry. Ferrosan offers various supplements and healthcare products, such as vitamins, minerals and food supplements, eye care products and skin care products to its global consumers, which are primarily focused on improving the health and wellbeing of consumers.

The Ferrosan Group is headquartered in Denmark. On 1 December 2011, Pfizer acquired the Ferrosan Group from Altor 2003 Fund GP Limited. Until the end of 2016, Ferrosan's operations were focused on the manufacturing and distribution of consumer health products across its international markets. From August 2019, Ferrosan became part of the joint venture between GSK and Pfizer.

Ferrosan's portfolio of products included Multi-tabs®, a popular multivitamin brand, Biform®, a leading probiotic, Fri Flyt/Active Omega, an Omega 3 product, and Imedeem® premium oral skincare brands.

The manufacturing operations in Ferrosan ApS closed by the end of 2016 and all remaining production was outsourced to Pfizer's production facilities outside Denmark.

Ferrosan ApS owns all IP-rights for the above mentioned products except for the Imedeem trademark owned by Pfizer Consumer Healthcare AB. Ferrosan ApS owns all intellectual property related to future development projects. Routine distributors that sell Ferrosan products in various countries do not own or develop any intangibles related to the Ferrosan's products. Ferrosan ApS is still the residual-earning entity for all legacy Ferrosan products, regardless of where the products are produced.

During FY2018/19, Ferrosan continued receiving services from Pfizer ApS, receiving residual profits from various Consumer affiliates and paying Imedeem Royalties from Pfizer Consumer Healthcare AB (Sweden). Compared to prior year, the amount of the services received from Pfizer ApS was lower (39 million vs. 51 million) because the number of employees providing services to Ferrosan decreased due to a restructuring initiative. The residual profit is lower compared to last year, the main drivers is Russia.

The service amount received from Pfizer ApS, the Imedeem Royalties from Pfizer Consumer Healthcare AB (Sweden) and the residual profits losses resulted into a total operating loss of DKK -46.7 million.

In July 2019, Ferrosan received a capital contribution of DKK 102 million from a Pfizer group affiliate.

The result of the year is in line with management's expectations.

Financial statements 1 December – 31 December

In August 2019, the ownership of the Ferrosan ApS was transferred to Prism PCH Limited, an affiliate company of GlaxoSmithKline plc (GSK), to form part of the consumer business joint venture between Pfizer and GSK.

The Company is supported financially by the GSK Group and has a credit facility at GlaxoSmithKline Consumer Healthcare Finance Ltd with no upper limit. GSK Group has issued a letter of support to the Company: “This letter will confirm that it is our intention to ensure that Ferrosan ApS (“The Company”) continues as a going concern. Specifically, we confirm that it is our intention to continue to support the Company, if need be and until the annual shareholder's meeting approving the statutory accounts for the year ending December 31, 2020, so as to enable it to meet its liabilities as they fall due and to carry on its normal business without any significant curtailment to operations.” On the basis hereof, it is Management's assessment that the Company's financial resources are sufficient, and the financial statements are therefore prepared using the going concern assumption.

Post balance sheet events

Based on information currently available, management's assessment is that the impact of COVID-19 does not lead to risks of going concerns for Ferrosan ApS.

As informed in previous financial statements, the Company has received a draft discretionary pre-tax assessment from Skattestyrelsen for the accounting year ended 30 November 2012. Based on discussions, the company and Skattestyrelsen have reached a mutual understanding on the issue, which has resulted in Skattestyrelsen's issuance of amended tax assessments for the accounting years ended 30 November 2013 through to 30 November 2018, to which the company agrees.

No other material events have occurred subsequent to 31 December 2019 which significantly affects the assessment of the annual report.

Outlook

Ferrosan ApS will continue receiving residual profits from various Pfizer Consumer distributor affiliates, receiving services from Pfizer ApS and paying royalties to Pfizer Consumer Healthcare AB for the brand Imedeem. It is the intention that the GSK group will provide a loan to the company in order for it to pay the amount under the tax settlement with the Danish tax authorities and that such loan will be debt relieved or converted to equity.

Financial statements 1 December – 31 December

Income Statement

DKK'000	Note	13 months 2018/19	2017/18
Other external expenses		-39,469	-51,563
Gross Loss		-39,469	-51,563
Staff costs	2	3	-12
Gains from PPE		117	-
Other operating (expense)/income, net	3	-7,252	15,063
Operating Loss		-46,601	-36,512
Financial income and expenses and similar items	4	-19,695	-991
Loss before Tax		-66,296	-37,503
Tax for the year	5	-100,659	-1,284
Loss for the year		-166,955	-38,787

Note 1 - Accounting Policies

Note 6 - Proposed Loss Appropriation

Financial statements 1 December – 31 December

Balance Sheet as at 31 December

DKK'000	Note	2019	2018
ASSETS			
Investments			
Investments in group entities	7	8,178	8,295
Total fixed assets		8,178	8,295
Current assets			
Receivables			
Amounts owed by group enterprises		17,802	60,747
Other Receivables		7,123	1,322
Deferred Tax	8	-	8,648
		24,925	70,717
Cash and cash equivalents		7,748	1,277
Total current assets		32,673	71,994
TOTAL ASSETS		40,851	80,289

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Balance Sheet as at 31 December

DKK'000	Note	2019	2018
Equity and liabilities			
Equity			
Share capital	9	121,827	121,827
Retained earnings		-198,864	-134,222
Total equity		-77,037	-12,395
Liabilities			
Amounts owed to group enterprises		2,885	92,681
Other payables	10	115,003	3
Short-term liabilities		117,888	92,684
Total liabilities		117,888	92,684
TOTAL EQUITY AND LIABILITIES		40,851	80,289

Note 11 – Related Party Disclosures

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Statement of changes in equity

DKK'000	Share Capital	Retained Earnings	Total
Equity at 1 December 2018	121,827	-134,222	-12,395
Share premium	-	102,313	102,313
Transferred from loss for the year	-	-166,955	-166,955
Equity at 31 December 2019	121,827	-198,864	-77,037

The Company is supported financially by the GSK Group and has a credit facility at GlaxoSmithKline Consumer Healthcare Finance Ltd with no upper limit. GSK Group has issued a letter of support to the Company: “This letter will confirm that it is our intention to ensure that Ferrosan ApS (“The Company”) continues as a going concern. Specifically, we confirm that it is our intention to continue to support the Company, if need be and until the annual shareholder's meeting approving the statutory accounts for the year ending December 31, 2020, so as to enable it to meet its liabilities as they fall due and to carry on its normal business without any significant curtailment to operations.” On the basis hereof, it is Management's assessment that the Company's financial resources are sufficient, and the financial statements are therefore prepared using the going concern assumption.

Financial statements 1 December – 31 December

Notes

1 Accounting policies

The annual report for 2018/2019 has been prepared in accordance with the provisions applying to class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Reporting currency

The Company's functional currency is Danish kroner (DKK). Thus, other currencies than Danish kroner are considered foreign currencies. DKK is used as the measurement and presentation currency in the preparation of the annual report. Amounts in the annual report are stated in thousands of Danish kroner (DKK).

Currency translation

During the year, transactions denominated in foreign currency are converted at the exchange rate ruling at the transaction date. Gains and losses arising as a result of differences between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items are converted at the exchange rates ruling at the balance sheet date, and exchange differences are recorded in the income statement under financial items.

Change in Financial Year

The accounting year FY2018/19 includes 13 months due to the change in accounting year to January - December.

Financial statements 1 December – 31 December

Income statement

Other external expenses

Other external expenses comprise administrative expenses and expenses related to the closure of the manufacturing site.

Staff costs

Staff costs comprise salaries, wages and pensions as well as other staff costs.

Operating income & expenses

Operating income & expenses comprise residual profit earned from Pfizer Consumer distributors and royalties paid to Pfizer Consumer Healthcare AB for the product Imedeem.

Financial income and expenses

Financial income and expenses include interest, realised and unrealised exchange differences, supplements and allowances under the on-account tax scheme, value adjustments of securities and similar items.

Tax

Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the income statement at the amount that can be attributed to the loss for the year and recognised directly in the equity statement at the amount that can be attributed to movements directly in equity.

Current tax liabilities and current tax receivables, respectively, are recognised in the balance sheet as calculated tax of the taxable income for the year.

Deferred tax is measured on all timing differences between the accounting and tax value of assets and liabilities, where the tax value of the assets is calculated on the basis of the planned use of the particular asset.

Deferred tax is measured on the basis of the tax legislation and rates of income tax which will be applicable on the balance sheet date, when the deferred tax is expected to be paid as current tax. Changes in deferred tax as a result of changes in the rates of income tax are included in the income statement.

Deferred tax assets, including the tax value of tax losses carried forward, are measured in the balance sheet at the amount at which the asset is expected to be realised, either by setting off deferred tax liabilities or as net tax assets.

The company is taxed jointly with all Danish subsidiaries in its tax group. The company was part of the Pfizer group until 31 July 2019 and was conveyed to the GSK group on 1 August 2019. The current Danish corporate tax is allocated amongst the jointly taxed Danish Companies in proportion to their taxable income (full allocation method)

Financial statements 1 December – 31 December

Balance sheet

Investments in group entities

Investments in group entities are recognised and measured at cost. Where the net realisable value is lower than cost, write down to the lower value is recognised.

Gains or losses on disposal of group entities are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus anticipated disposal costs. Gains or losses are recognised in the income statement.

Dividends from subsidiaries are recognised in the income statement in the financial year where the dividends are declared.

Receivables

Receivables are measured in the balance sheet at amortised cost, which essentially corresponds to the nominal value or a lower net realisable value. Write-downs to net realisable value are calculated on the basis of an individual assessment of each receivable and for trade receivables also with a general impairment loss based on the Company's experience from prior years.

Other receivables primarily comprise receivables from staff and public authorities, which are measured at nominal values and the fair value of forward contracts.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Proposed dividend

Dividends expected to be paid in respect of the year are stated as a separate line item under equity. Dividends are recognised as a liability when adopted by the shareholders at the annual general meeting.

Liabilities

Other liabilities to group entities are measured at amortised cost and essentially correspond to nominal value.

Other liabilities primarily comprise liabilities to staff and public authorities, which are measured at nominal values and the fair value of forward contracts.

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DKK'000	2018/19	2017/18
2 Staff costs		
Wages/salaries	-	-
Pensions	-	12
Other social security costs	-3	-
	<u>-3</u>	<u>12</u>
	<u>Number</u>	<u>Number</u>
Average number of employees	<u>0</u>	<u>0</u>
3 Other Operating Income/Expense, net		
Residual Profits from Pfizer Consumer entities	-2,290	20,447
Imedeen Royalties paid to Pfizer Consumer Healthcare AB	-4,962	-5,384
	<u>-7,252</u>	<u>15,063</u>
4 Financial income and expenses and similar items		
Intercompany balance write off with Ferrosan International A/S	-117	-941
Foreign exchange adjustments	-105	9
Interest related to tax settlement	-19,459	-42
Bank charges	-14	-17
	<u>-19,695</u>	<u>-991</u>
5 Tax for the Year		
Estimated income tax from the joint taxation	5,864	13,281
Adjustment for deferred tax	-9,308	-14,566
Adjustment for deferred tax from prior year	17,965	-
Tax settlement	86,147	-
	<u>100,659</u>	<u>-1,284</u>
6 Proposed Loss Allocation		
Allocation to retained earnings	-166,955	-38,787
	<u>-166,955</u>	<u>-38,787</u>

Financial statements 1 December – 31 December

	Group entities in total			
7 Investments				
Cost				
Balance at 1/12/2018	173,104			
Disposals in the year	-			
Cost at 30/11/2019	173,104			
Impairment losses				
Balance at 1/12/2018	-164,809			
Impairment losses in the year	-117			
Impairment losses at 31/12/2019	-164,926			
Carrying amount at 31/12/2019	8,178			
	Domicile	Interest (%)	Equity	Profit/(loss)
Subsidiaries				
Ferrosan International ApS	Denmark	100.00	8,831	513

Based on latest available annual report and trial balance.

8	Deferred Tax			
	Property plant and equipment	-	27,755	
	Tax loss carry forward	-	156,068	
	Other taxable temporary differences	-	-	
	Write-down of deferred tax assets	-	-175,175	
	Total Tax liabilities [-] / assets [+]	-	8,648	

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9 Share capital

The share capital of DKK 121,827 thousand comprises 10,000,003 class A-share(s) of DKK 10.00 each and 2,182,746 class B-share(s) of DKK 10.00 each.

In 2019 one class A-share was issued to Prism PCH Limited (UK) in exchange for DKK 10.

Each A share gives 10 votes, and each B share gives 1 vote pursuant to article 9 of the Company's articles of association.

The changes in share capital for the last 5 years can be specified as follows:

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
Share Capital at 1 December	121,827	121,827	121,827	121,827	121,827
Increase in Share Capital	-	-	-	-	-
Share Capital at year end	121,827	121,827	121,827	121,827	121,827

10 Other Payables

VAT and Taxes	-	3
Other payables	115,003	-
	115,003	3

DKK 105,500 included in other payables relates to a tax settlement and is payable to Pfizer ApS.

11 Related party Disclosures

Ferrosan ApS related parties comprise:

Control

Ferrosan ApS is owned 100% by Prism PCH Limited.

The Company is included in the consolidated financial statements of the ultimate parent Company GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom.

The consolidated financial statements of GlaxoSmithKline plc. are available at the Company's address or on the Company's website at <https://www.gsk.com/en-gb/investors/corporate-reporting/>