

GlaxoSmithKline Pharma A/S  
Nykær 68  
2605 Brøndby  
CVR 27 39 40 19

## GlaxoSmithKline Pharma A/S

### Annual Report 2018

The annual report was presented and adopted at the  
Company's annual general meeting

on 03 JUNE 2019

  
\_\_\_\_\_ chairman

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GlaxoSmithKline Pharma A/S for the financial year 1 January - 31 December 2018.

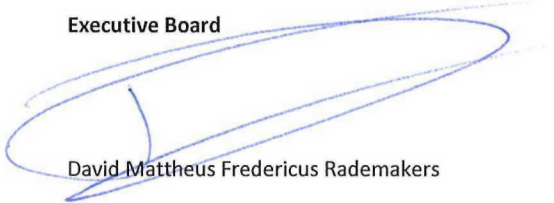
The Annual Report is prepared in accordance with the Danish Financial Statements Act.

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

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review. We recommend that the Annual Report be adopted at the Annual General Meeting.

Brøndby, 03 JUNE 2019


### Executive Board



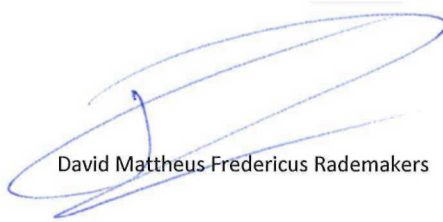
David Mattheus Fredericus Rademakers

### Board of Directors

Neale Andrew Belson  
Chairman



David Mattheus Fredericus Rademakers



Ole Jensen-Dahm



# Independent Auditor's Report

To the shareholder of GlaxoSmithKline Pharma A/S

## Opinion

We have audited the financial statements of GlaxoSmithKline Pharma A/S for the financial year 01 January 2018 – 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. 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 Entity's financial position at 31 December 2018 and of the results of its operations for the financial year 01 January 2018 – 31 December 2018 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report (continued)

- 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

### Statement on the management review

Management is responsible for the management review.

Our opinion on the financial statements does not cover the management 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 review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management 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 the management review.

Copenhagen, 3 June 2019

### Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Sumit Sudan

State-Authorised Public Accountant

MNE no 33716



Martin Pieper  
State-Authorised Public Accountant  
MNE no 44063

## Company Information

<b>The Company</b>	GlaxoSmithKline Pharma A/S Nykær 68 DK-2605 Brøndby Telephone: +45 36 35 91 00 Facsimile: +45 36 35 91 01 Website: <a href="http://www.glaxosmithkline.dk">www.glaxosmithkline.dk</a> CVR No: 27 39 40 19 Municipality of reg. office: Brøndby
<b>Board of Directors</b>	Neale Andrew Belson, Chairman David Mattheus Fredericus Rademakers Ole Jensen-Dahm
<b>Executive Board</b>	David Mattheus Fredericus Rademakers
<b>Auditors</b>	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 København S
<b>Lawyers</b>	Plesner Advokatpartnerselskab Amerika Plads 37 DK-2100 København Ø
<b>Bankers</b>	Danske Bank Holmens Kanal 2-12 DK-1092 København K
<b>Consolidated Financial Statements</b>	The Company is included in the Group Annual Report of GlaxoSmithKline plc., Brentford, Middlesex, England.

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights.

	2018	2017	2016	2015	2014
DKK m					
<b>Profit/loss</b>					
Revenue	414	427	366	339	371
Operating profit/loss	24	13	5	6	17
Net financials	-1	0	-1	0	0
Net profit/loss for the year	18	10	2	4	12
<b>Balance sheet</b>					
Balance sheet total	232	192	332	236	230
Equity	39	35	26	148	144
Number of employees	80	87	90	87	92
<b>Ratios %</b>					
Gross margin	28.1%	29.1%	22.3%	32.9%	32.1%
Profit margin	5.8%	3.0%	1.4%	1.8%	4.6%
Return on assets	10.2%	6.7%	1.4%	2.4%	7.5%
Solvency ratio	17.0%	18.4%	7.8%	62.7%	62.8%
Return on equity	46.8%	31.4%	2.2%	2.5%	8.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

# Management's Review

## **Main activity**

The main activity of the company is the sale and marketing of pharmaceuticals for the Danish and Icelandic Market. The pharmaceuticals are purchased from group enterprises. The Company is domiciled and incorporated in Denmark and its principal place of business is located at Nykær 68, DK-2605 Brøndby.

## **Development during the year**

### ***The past year development***

The financial year 2018 showed a decrease in revenue of DKK 12Mn (3%) compared to 2017. The decline was predominantly driven by reduction in Seretide, asthma product, due to generic launch resulting in a DKK 38Mn drop in revenue year on year. This was offset by growth in HIV Therapy Area across the whole portfolio and reflected in market share increase for Dolutegravir-based regimens. Additionally, strong performance in the Elipta portfolio driven by the Trelegly launch and further growth for Anoro and Nucala, also an increase in sales for our Hepatitis vaccine portfolio mitigated competition challenge from generic entry.

2018 showed strong performance in sales in the Icelandic market, with steady market share growth in key focus areas.

## **Capital resources**

A dividend of DKK 15Mn has been proposed in the 2018 annual report.

## **Special risk factors - operating risks and financial risks**

### ***Financial risks***

In consequence of its operations, investments and funding, the Company is exposed to changes in exchange rates and the interest rate levels. It is the Company's policy not to speculate actively in financial risks.

### ***Foreign exchange risks***

A significant majority of all sales and purchases made by the company are in DKK and therefore exchange rate exposure is kept to a minimum. Our use of credit facilities are solely in DKK - the interest rate is floating, however, the company does not anticipate significant changes in the interest level.

### ***Credit risks***

It is expected that the Company's procedure for assessing trading partners will lead to a minimal risk of losses. The Company's loans have been contracted with group companies, and the counter-party risk is considered low.

## **Strategy and objectives**

### ***Expected development***

GlaxoSmithKline Pharma A/S continues to have 3 main focus areas: Respiratory, HIV and Vaccines and the development in performance during 2018 was driven primarily by these areas. We have seen significant growth in our Elipta portfolio due to increased number of regional recommendations. Anoro is now recommended as 1st choice LAMA/LABA in all regional recommendation lists. At a national level Trelegly has been evaluated by IRF (Institut for Rationel Farmakoterapi) with a positive outcome differentiating the treatment from the competition.

For 2019 we expect that our high level of activity and continued focus on our interface with healthcare professionals will result in a continuously strong demand for the products of the company. Many factors can impact the annual result, not least the level of parallel import which allows trading of products within the European pharmaceutical market from one member state to another. We have seen increased impact of generic medicines for some of our key brands and expect this to also have an impact on performance in the short term. However, our expectation is that our new and innovative medicines will compensate for the lost sales due to generics.

The Company continues to have a very strong pipeline and in the coming years new medicines for treatment in both new and existing areas will be available for the benefit of patients in Denmark.

### ***Targets and expectations for the year ahead***

For 2019 we expect to achieve revenue in the region of DKK 430Mn, 3% increase versus 2018, with operating profit also slightly better than last year. This reflects continue growth performance across Elipta portfolio, HIV and Vaccine offset by increased generic competition in the Classic and Established portfolios with off-patent products across key therapy areas.

Throughout the past years GlaxoSmithKline Pharma A/S has introduced a number of new innovative medicines to the market for the treatment of serious diseases and it has been reflected in a performance development in the past years. The pharmaceutical market is a highly regulated area inside which we work positively and actively. Several factors will affect the development in 2019 and onwards. It is critical for the user of our innovative medicines that the patient receives reimbursement for these in the treatment of diseases and the position in the different guidelines and formularies. We have a close and trustful co-operation with the all stakeholders regarding regulatory approval, reimbursement, etc.



## Management's Review (continued)

### **Basis of earnings**

#### ***Research and development***

Denmark remains a country where clinical data gathering is very important and we continue to do it actively, although this is no longer governed by GlaxoSmithKline Pharma A/S in Denmark. Denmark has been actively involved in number of studies due to patient population and medical reasons, even though we are a non-footprint country for clinical studies within GSK. We have seen increased number of clinical trials within Oncology, HIV, Respiratory and Immunology Therapy Areas which are either in feasibility phase or already committed to Denmark.

#### ***Supply Chain***

The company does not have its own production and purchases all products in packs intended for the Danish market. As a result of the general rules of returning goods the company receives a small amount of returned packs. These returned packs are sent for destruction at Nomeco in accordance with accepted industry standards; the same process applies to surplus medicine from clinical trials at hospitals and with general practitioners.

#### ***External environment***

The European Union Falsified Medicines Directive was implemented in February 2019 which required intense preparation to ensure all Pharma products comply with the new regulation, including 2D Barcodes for serialisation and tamper-proof device on all packs.

Preparation for Brexit has been another very crucial task for us to ensure that GSK's approach to patient safety is not compromised by Brexit and moving manufacturing and Quality Assurance activities to EU countries if needed

In March 2019 the Government presented a new Danish Health Care Reform "A stronger healthcare system – closer to you". This proposal will be a key topic in the coming election and there is a general perception across the parliament that the healthcare system needs changes to integrate more across sector – addressing the chronic burden and the demographic development which leads to additional opportunities for GSK. Execution of this proposal depends on outcome of the election.

#### ***Intellectual capital resources***

The most important asset that we have in GlaxoSmithKline Pharma A/S is our professional, devoted and competent employees. The employees are our most important resource right from the invention of new medicines, clinical testing, marketing and distribution. Given the primary focus of the Company we have a clear priority of investing in our customer interface and we will continue to invest resources also in the training and development of our employees who totalled 80 at the end of 2018.

#### ***Social responsibility / DFA §99A and §99B***

The company is covered by the obligation of information with regard to social responsibility. Please refer to the Group's reports concerning social responsibility: "Responsible business is how we do business" on [www.gsk.com/responsibility](http://www.gsk.com/responsibility).

GSK management is committed to our Modern Employer Agenda: Be You, Feel Good and Keep Growing in which, we aim to create a working environment where all employees feel included, respected and valued for the unique qualities they bring, and are empowered to contribute to their full potential. We are also dedicated to provide equal opportunity and career development to every employee irrespective of Gender.

It is a focus area to make sure the management and board are put together by individuals with the right competencies and an appropriate number of the under-represented sex.

In 2018 a new board member was appointed and now the Board consist of 3 men.

With 6 women and 3 men in the management, the company acknowledges this composition is unbalanced. The aim is to have a level of 50% women and 50% men in management. Deliberate and targeted organization development efforts are directed at changing the gender representation over number of years mainly through the recruiting process.

These initiatives are not limited to gender diversity, but also cover all aspects of Diversity and Inclusion. Further information on the GSK Group's approach and initiatives for Diversity and Inclusion can be found on the GSK Group website ([www.gsk.com/responsibility](http://www.gsk.com/responsibility)) and in the Group annual report.

#### ***Uncertainty relating to recognition and measurement***

Recognition and measurement in the annual report have not been subject to any uncertainty.

#### ***Unusual events***

The financial position as at 31 December 2018 of the company and the results of the activities of the Company for the financial year 2018 have not been affected by affected by any subsequent events.

## Income Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
<b>Revenue</b>	2	413,846	426,868
Cost of goods sold		-297,512	-302,477
<b>Gross profit/loss</b>		116,334	124,391
Distribution expenses	3	-119,784	-117,617
Administrative expenses	3	-30,726	-32,148
<b>Ordinary operating profit/loss</b>		-34,067	-25,374
Other operating income	4	57,744	38,160
<b>Operating profit/loss</b>		23,568	12,786
Financial income	5	160	1,030
Financial expenses	6	-686	-1,073
<b>Profit/loss before tax</b>		23,042	12,743
Tax on profit/loss for the year	7	-5,519	-3,146
<b>Net profit/loss for the year</b>	8	17,523	9,597

## Balance Sheet 31 December

### Assets

	Note	2018 TDKK	2017 TDKK
Software	9	6,839	8,623
<b>Intangible fixed assets</b>		<u>6,839</u>	<u>8,623</u>
Land and buildings		38,062	39,379
Other fixtures and fittings, tools and equipment		516	691
<b>Property, plant and equipment</b>	10	<u>38,578</u>	<u>40,070</u>
<b>Fixed assets</b>		<u>45,417</u>	<u>48,693</u>
Trade receivables		45,524	49,290
Receivables from affiliated companies		134,284	88,367
Other receivables		777	574
Prepayments	11	5,744	5,121
<b>Receivables</b>		<u>186,329</u>	<u>143,352</u>
<b>Currents assets</b>		<u>186,329</u>	<u>143,352</u>
<b>Assets</b>		<u>231,746</u>	<u>192,045</u>

## Balance Sheet 31 December

### Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		10,000	10,000
Retained earnings		14,427	11,904
Proposed dividend for the year		<u>15,000</u>	<u>13,500</u>
<b>Equity</b>	12,8	<u><b>39,427</b></u>	<u><b>35,404</b></u>
Deferred tax	13	<u>4,391</u>	<u>4,533</u>
<b>Provisions</b>		<u><b>4,391</b></u>	<u><b>4,533</b></u>
Trade payables		7,675	9,363
Payables to affiliated companies		99,279	49,630
Corporation tax		5,661	4,210
Other payables		51,877	53,751
Deferred Income	14	<u>23,436</u>	<u>35,154</u>
<b>Short-term debt</b>		<u><b>187,928</b></u>	<u><b>152,108</b></u>
<b>Debt</b>		<u><b>187,928</b></u>	<u><b>152,108</b></u>
<b>Liabilities and equity</b>		<u><b>231,746</b></u>	<u><b>192,045</b></u>
Contingent assets, liabilities and other financial obligations	15		
Related parties and ownership	16		
Fee to auditors appointed at the General Meeting	17		
Subsequent events	18		

## Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u>	<u>Proposed</u>	<u>Total</u>
	TDKK	earnings	dividend for	TDKK
		TDKK	the year	
			TDKK	
Equity at 1 January 2018	10,000	11,904	13,500	35,404
Ordinary paid dividend	0	0	-13,500	-13,500
Net profit/loss for the year	0	2,523	15,000	17,523
Equity at 31 December 2018	<u>10,000</u>	<u>14,427</u>	<u>15,000</u>	<u>39,427</u>

# Notes

## 1 Accounting policies

### **Basis of Preparation**

The Annual Report of GlaxoSmithKline Pharma A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2018 is presented in TDKK.

### **Reclassifications**

Other operating incomes is included as part of Operating profit/loss. In the 2017 financial statements, these were presented under Operating profit/loss and above Profit/loss before financial income and expenses.

Other operating expenses have been changed for the current financial year to be included within Administration costs. The 2017 comparison has been changed to show the same presentation. This does not affect the overall profit of the Company. This change has been implemented to comply with new DK GAAP rules.

### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### **Segment reporting**

Segment information is presented in respect of business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system.

### **Income Statement**

#### **Revenue**

Revenue from the sale of goods is recognised in the income statement when delivery and transfer of risk has been made before year-end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

#### **Cost of Goods Sold**

The Cost of goods sold comprises of standard costs incurred for the year.

#### **Distribution expenses**

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses, depreciation, etc.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Administrative expenses*

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

#### *Other operating income*

Other operating income comprise items of a secondary nature to the core activities of the enterprise.

#### *Financial income and expenses*

Financial income and expenses comprising of interest, bank charges and foreign exchange are recognised in the income statement at the amounts relating to the financial year.

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

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

The Company is jointly taxed with the sister company, GlaxoSmithKline Consumer Healthcare A/S. The tax effect of the joint taxation the immediate parent company is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

#### **Balance Sheet**

##### *Intangible assets*

Software is measured at the lower cost less accumulated amortisation and recoverable amount. Software is depreciated on a straight-line basis over its estimated useful life economically, based on Management's experience. The depreciation period is 10 years.

##### *Property, plant and equipment*

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on the cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets which are:

Buildings	5-50 years
Other fixtures and fittings, tools and equipment	3-6 years

There is no depreciation on land.

##### *Impairment of fixed assets*

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the assets is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Receivables*

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision.

#### **Equity**

##### *Dividend*

Dividend distribution proposed by management for the year is disclosed as a separate equity item.

#### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to the office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement of equity, respectively.

#### **Other payables**

Other payables comprises of VAT, restructuring provision, accruals and payroll accruals.

#### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior year and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

#### *Financial debts*

Debts are measured at amortised cost, substantially corresponding to nominal value.

#### *Prepayments and deferred income*

Deferred income comprises payments received regarding income in subsequent years.

#### **Cash Flow Statement**

The cash flow of GlaxoSmithKline Pharma A/S are recognized in the consolidated financial statements of GlaxoSmithKline plc., Brentford, Middlesex, England. Therefore, cash flow statement is not presented in the annual report of GlaxoSmithKline Pharma A/S, ref. Danish Financial Statements Act § 86, stk. 4.



## Notes (continued)

### 1 Accounting policies (continued)

#### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$	
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$	
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$	
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$	
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$	
	<b>2018</b>	<b>2017</b>
	TDKK	TDKK

### 2 Revenue

#### Geographical segments

Denmark	366,214	385,631
Iceland	<u>47,632</u>	<u>41,237</u>
	<b><u>413,846</u></b>	<b><u>426,868</u></b>

The entire revenue of the Company is realised on the Danish and Icelandic markets.

#### Product segments

Respiratory	156,799	178,947
HIV	100,281	92,384
Vaccines	85,518	68,893
Pharmaceuticals	51,842	67,966
Dermatological	<u>19,406</u>	<u>18,678</u>
	<b><u>413,846</u></b>	<b><u>426,868</u></b>

## Notes (continued)

3 Staff	<b>2018</b>	<b>2017</b>
	TDKK	TDKK
Wages and Salaries	86,996	85,352
Pensions	5,432	5,612
Other social security expenses	602	627
	<u>93,030</u>	<u>91,591</u>

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Distribution expenses	70,703	69,224
Administrative expenses	22,327	22,367
	<u>93,030</u>	<u>91,591</u>

<b>Average number of employees</b>	<u>80</u>	<u>87</u>
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According to section 98 B (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

Intercompany charges in 2018 of DKK 3,5m (2017 : DKK 5m) is part of Administrative expenses

4 Other operating income	<b>2018</b>	<b>2017</b>
	TDKK	TDKK
Intercompany service fees	57,744	38,160
	<u>57,744</u>	<u>38,160</u>
<b>5 Financial income</b>		
Interest received from group enterprises	2	4
Other financial income	158	1,026
	<u>160</u>	<u>1,030</u>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	0	1
Other financial expenses	686	1,072
	<u>686</u>	<u>1,073</u>

## Notes (continued)

<b>7</b>	<b>Tax on profit/loss for the year</b>		
	Current tax for the year	5,661	4,210
	Deferred tax for the year	<u>-142</u>	<u>-1,064</u>
		<b><u>5,519</u></b>	<b><u>3,146</u></b>
<b>8</b>	<b>Distribution of profit</b>		
	<b>Proposed distribution of profit</b>		
	Proposed dividend for the year	15,000	13,500
	Retained earnings	<u>2,523</u>	<u>-3,903</u>
		<b><u>17,523</u></b>	<b><u>9,597</u></b>
<b>9</b>	<b>Intangible assets</b>		
			<b>Software</b>
			TDKK
	Cost at 1 January 2018		<u>18,404</u>
	Cost at 31 December 2018		<b><u>18,404</u></b>
	Amortisation at 1 January 2018		9,781
	Amortisation for the year		<u>1,784</u>
	Amortisation at 31 December 2018		<b><u>11,565</u></b>
	<b>Carrying amount at 31 December 2018</b>		<b><u>6,839</u></b>
	Amortised over		<u>10 years</u>

## Notes (continued)

### 10 Tangible assets, property plant and equipment

	<u>Land and buildings</u> TDKK	<u>Other fixtures and fittings, tools and equipment</u> TDKK
Cost at 1 January 2018	62,491	13,214
Cost at 31 December 2018	<u>62,491</u>	<u>13,214</u>
Impairment losses and depreciation at 1 January 2018	23,112	12,523
Depreciation for the year	<u>1,317</u>	<u>175</u>
Impairment losses and depreciation at 31 December 2018	<u>24,429</u>	<u>12,698</u>
<b>Carrying amount at 31 December 31 December 2018</b>	<u><b>38,062</b></u>	<u><b>516</b></u>

Depreciated over	<u>5-50 years</u>	<u>3-6 years</u>
	<u>2018</u>	<u>2017</u>
	TDKK	TDKK

Depreciation and impairment of tangible and intangible assets are recognised in the following items:

Administrative expenses	3,276	3,313
	<u>3,276</u>	<u>3,313</u>

<b>11 Prepayments</b>	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
Share Options	3,507	4,572
Other Prepayments	<u>2,237</u>	<u>549</u>
	<u><b>5,744</b></u>	<u><b>5,121</b></u>

Other prepayments consist primarily of prepaid expenses concerning insurance premiums, database services, etc.

### 12 Equity

1 share with a nominal value of DKK 449,000	449	449
2 shares with a nominal value of DKK 500	1	1
1 share with a nominal value of DKK 50,000	50	50
1 share with a nominal value of DKK 9,500,000	<u>9,500</u>	<u>9,500</u>
	<u><b>10,000</b></u>	<u><b>10,000</b></u>

The equity has been unchanged for the last 5 years.

## Notes (continued)

### 13 Provision for deferred tax

Intangible assets	1,504	1,897
Property, plant and equipment	3,284	3,470
Other payables	<u>-397</u>	<u>-834</u>
	<u><b>4,391</b></u>	<u><b>4,533</b></u>
Provision for deferred tax 1 January	4,533	5,597
Deferred tax recognized in the profit and loss statement	<u>-142</u>	<u>-1,064</u>
<b>Provision for deferred tax 31 December</b>	<u><b>4,391</b></u>	<u><b>4,533</b></u>

### 14 Deferred income

Deferred income consists of DKK 23m for the Advanced Preparedness Fee (APA), a Flu pandemic fee that was received from the Danish government. This fee covers a 4 year period starting from 1 January 2017 and was paid in advance upfront. The Company has provided a bank guarantee.

For size of guarantee, see note 16.

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

#### Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,903	1,967
Between 1 and 5 years	<u>1,802</u>	<u>2,409</u>
	<u><b>3,705</b></u>	<u><b>4,376</b></u>

#### Other

The Company is jointly taxed with other Danish group companies. As a group company, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The Company has provided a Flu pandemic fee guarantee of DKK 46.9m (2017: DKK 46.9m) to the Danish government.

## Notes (continued)

### 16 Related parties and ownership

#### Basis

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#### Controlling interest

GlaxoSmithKline plc. Brentford, UK

Ultimate parent company

Setfirst Limited, Brentford, UK

Immediate parent company

#### Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior employees, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

GSK Pharma has purchased 215m DKK of inventory from GSK Trading Services Limited and 82,5m DKK from ViiV Healthcare Trading Services UK Limited

GSK Pharma has 134m DKK of receivables from affiliates relating to cross charges for people related costs and costs of redundancy, and for intercompany service fees and interest.

GSK Pharma has 99m DKK payables to affiliates relating to cost of goods sold, flu pandemic fee, intercompany charges of DKK 3m and interest

GSK Pharma has paid 13m DKK of dividends to Setfirst Limited

#### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Setfirst Limited, Brentford, UK, company number 02332323

The Company is included in the Group Annual Report of GlaxoSmithKline plc., Brentford, Middlesex, England.

### 17 Fee to auditors appointed at the General Meeting

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the consolidated Financial Statements of GlaxoSmithKline plc.

### 18 Subsequent events

No events have occurred subsequent to the balance sheet date that have significant bearing on the evaluation of the annual report.