

GlaxoSmithKline Pharma A/S

Annual Report for 2016

CVR-nr. 27 39 40 19
Nykær 68
2610 Brøndby

*The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company
on 14/6 2017*


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 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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.

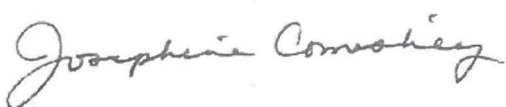
Brøndby, 14 June 2017

Executive Board



Saskia Fontein

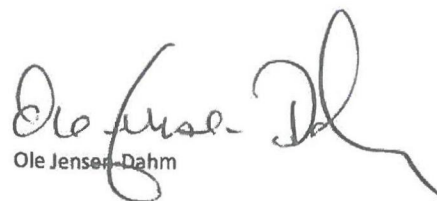
Board of Directors



Josephine Comiskey
Chairman



Saskia Fontein



Ole Jensen-Dahm

Independent Auditor's Report

To the Shareholder of GlaxoSmithKline Pharma A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of GlaxoSmithKline Pharma A/S for the financial year 1 January - 31 December 2016, 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, 14 June 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Lars Baungaard

State Authorised Public Accountant



Maj-Britt Nørskov Nannestad

State Authorised Public Accountant

Company Information

The Company	GlaxoSmithKline Pharma A/S Nykær 68 DK-2605 Brøndby Telephone: + 45 36 35 91 00 Facsimile: + 45 36 35 91 01 Website: www.glaxosmithkline.dk CVR No: 27 39 40 19 Financial period: 1 January - 31 December Municipality of reg. office: Brøndby
Board of Directors	Josephine Comiskey, Chairman Saskia Fontein Ole Jensen-Dahm
Executive Board	Saskia Fontein
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Consolidated Financial Statements	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:

	2016	2015	2014	2013	2012
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Profit/loss					
Revenue	366	339	371	364	393
Operating profit/loss	5	3	15	10	25
Profit/loss before financial income and expenses	5	6	17	19	27
Net financials	-1	0	0	0	0
Net profit/loss for the year	2	4	12	14	19
Balance sheet					
Balance sheet total	332	236	230	267	284
Equity	26	148	144	147	151
Investment in property, plant and equipment	0	0	0	16	0
Number of employees	90	87	92	89	88
Ratios %					
Gross margin	22.3%	32.9%	32.1%	34.9%	30.3%
Profit margin	1.3%	1.7%	4.7%	5.2%	6.9%
Return on assets	1.4%	2.4%	7.5%	7.1%	9.5%
Solvency ratio	7.8%	62.7%	62.8%	55.1%	53.2%
Return on equity	2.2%	2.5%	8.1%	9.4%	12.6%

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.

Review

Main activity

The main activity of the company is the sale and marketing of pharmaceuticals for the Danish Market. The pharmaceuticals are purchased from group enterprises.

Development during the year

The past year and follow-up on the expected development for the past year

The financial year 2016 showed an increase in revenue of DKK 28 mio, or 8.1% compared to 2015. The main drivers of this growth continue to be the recently launched products in both HIV, with significant growth in market share for Dolutegravir-based regimens, and the Ellipta portfolio in the Respiratory therapeutic area. Additional strength was added to the respiratory portfolio with the launch of Nucala, where we saw strong uptake during 2016.

2016 was the first full year servicing the Icelandic market through the 3rd party distributor on behalf of the Danish entity. This has driven a positive impact on revenue from the Icelandic market.

Changes in the product mix and continued price pressure in the wider competitive environment have contributed to a reduction in gross margin compared to 2015. In addition, we have seen an impact on cost of goods from the change to 3rd party distributor in Iceland, a 12 month impact of which is seen in 2016.

Capital resources

The dividend proposed in the 2015 annual report of DKK 124m was distributed during 2016. No dividend has been proposed in the 2016 annual report, leaving the company with equity of DKK 26m at the end of 2016.

At the end of the financial year the company had a cash position of DKK 41m in the GSK cash pool, add to this a call loan (fixed-term deposits up to 3 months) for an associated company of DKK 50m.

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 level. It is the Company's policy not to speculate actively in financial risks. Accordingly, the Company's risk management is aimed solely at managing financial risks that have already been incurred.

Foreign exchange risks

The Company is affected by changes in exchange rates as purchases and sales are made in different currencies. As the primary currencies are Danish Kroner and Euro no significant exchange risks is related to the Danish operations.

We have seen additional currency impact due to the contract currency with the Icelandic 3rd party, which was set up in GBP given the stability of the currency at the time. However, due to changes in the economic environment and currency impacts from the UK decision to leave the EU, we saw increased exposure to currency fluctuations. Going forward and to mitigate this exposure, the contract currency will be reassessed.

Our use of credit facilities are solely in Danish kroner – 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 therefore considered low.

Strategy and objectives

Expected development

In continuation of focus on the respiratory therapeutic area seen in 2015, the portfolio was further strengthened with the launch of Nucala for severe Asthma treatment in the first quarter of 2016.

GlaxoSmithKline Pharma A/S continues to have a very strong pipeline and in the coming year's new medicines for treatment in both new and existing areas will be available for the benefit of patients in Denmark.

For 2017 we expect that our high level of activity and continued focus 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.

Targets and expectations for the year ahead and follow up on last years expectations

The past year has showed that the closing of the Iceland branch has had a positive effect on the Danish result as the revenue has increased and further an increase in the 2016 revenue compared to 2015 revenue.

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.

The pharmaceutical market is a highly regulated area inside which we work positively and actively. Several factors will affect the development in 2017 and onwards. It is critical for the user of our innovative medicines that the patient receives reimbursement for these in the treatment of diseases. Lack of reimbursement for a specific type of medicine constitutes a crucial barrier for both the patient and the general practitioner in the use of the medicine. GlaxoSmithKline Pharma A/S will continue to work actively in order to achieve and retain reimbursement. We have a close and trustful co-operation with the authorities regarding regulatory approval and use of our pharmaceutical products.

For 2017 we expect the revenue to be in line with 2016.

Basis of earnings

Research and development

With effect from April 2016 clinical trial activities in Denmark were outsourced and the cost is now covered at a Global level by GSK R&D. Denmark remains a country where clinical data gathering is important and we continue to do activity, although this is no longer governed by GlaxoSmithKline Pharma A/S.

External environment

The company does not have its own production, but purchase 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 Ekokem in accordance with accepted industry standards – in the same ways that applies to surplus medicine from clinical trials at hospitals and with general practitioners.

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. We will continue to invest resources also in 2017 and in the training and development of our employees who totalled 85 at the end of 2016.

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: "Do more, feel better, live longer – Corporate Responsibility Report" on www.gsk.com/responsibility.

GSK management is committed 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. The Board consist of 1 woman and 2 men and the composition is evaluated as appropriate.

With 5 women and 3 men in the management, the percentage is considered satisfactory. 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 a number of years. Moreover, targeted efforts are made in the recruiting process.

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 at 31 December 2016 of the company and the results of the activities of the Company for the financial year 2016 have not been affected by unusual events.

Subsequent events

No conditions have occurred that have significant bearing on the evaluation of the annual report.

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue	1	366,477	338,938
Cost of good solds		-284,704	-227,194
Gross profit/loss		81,773	111,744
Distribution expenses	2	-52,472	-77,138
Administrative expenses	2	-24,693	-31,591
Operating profit/loss		4,608	3,015
Other operating income		6	2,638
Profit/loss before financial income and expenses		4,614	5,653
Financial income	3	16,713	421
Financial expenses	4	-18,300	-519
Profit/loss before tax		3,027	5,555
Tax on profit/loss for the year	5	-1,155	-1,890
Net profit/loss for the year	10	1,872	3,665

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Software	6	10,407	12,191
Intangible fixed assets		10,407	12,191
Land and buildings		40,696	42,416
Other fixtures and fittings, tools and equipment		903	661
Property, plant and equipment	7	41,599	43,077
Fixed assets		52,006	55,268
Inventories		315	1,568
Trade receivables		116,386	36,319
Receivables from affiliated companies		154,290	133,538
Other receivables		1,209	1,277
Prepayments	8	7,746	7,874
Receivables		279,631	179,008
Currents assets		279,946	180,576
Assets		331,952	235,844

Balance Sheet 31 December

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		10,000	10,000
Retained earnings		15,807	13,935
Proposed dividend for the year		0	124,000
Equity	9,10	25,807	147,935
Deferred tax	11	5,597	6,124
Provisions		5,597	6,124
Trade payables		10,071	10,576
Payables to affiliated companies		188,361	33,526
Corporation tax		1,683	2,397
Other payables		53,561	35,286
Prepayments	12	46,872	0
Short-term debt		300,548	81,785
Debt		300,548	81,785
Liabilities		331,952	235,844
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		
Fee to auditors appointed at the general meeting	15		

Statement of changes in equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Proposed dividend for the year</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	10,000	13,935	124,000	147,935
Ordinary paid dividend / reclass to IC	0	0	-124,000	-124,000
Net profit/loss for the year	<u>0</u>	<u>1,872</u>	<u>0</u>	<u>1,872</u>
Equity at 31 December	<u>10,000</u>	<u>15,807</u>	<u>0</u>	<u>25,807</u>

Notes to the Annual Report

	2016	2015
	TDKK	TDKK
1 Revenue		
Geographical segments		
Domestic market	341,537	337,452
Iceland	24,940	1,486
	366,477	338,938
<p>The entire revenue of the company is realised on the Danish and Iceland market. The sales include exclusively pharmaceutical prescription products and selected special products in dermatology</p>		
2 Staff		
Wages and Salaries	61,018	62,531
Pensions	5,396	5,269
Other social security expenses	640	708
	67,055	68,508
<p>Wages and Salaries, pensions and other social security expenses are recognised in the following Items:</p>		
Distribution expenses	48,011	53,399
Administrative expenses	19,044	15,109
	67,055	68,508
Average number of employees	90	87
<p>According to section 98 B (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.</p>		
3 Financial income		
Interest received from group enterprises	293	6
Other financial income	16,420	415
	16,713	421
4 Financial expenses		
Interest received from group enterprises	202	139
Other financial expenses	18,098	380
	18,300	519
5 Tax on profit/loss for the year		
Current tax for the year	1,682	2,397
Deferred tax for the year	-505	-510
Adjustment of tax concerning previous years	0	36
Adjustment of deferred tax concerning previous years	-22	-33
	1,155	1,890

6 Intangible assets

	<u>Software</u>	
	TDKK	
Cost at 1 January	21,873	
Disposals	3,469	
Additions for the year	<u>0</u>	
Cost at 31 December	<u>18,404</u>	
Depreciation at 1 January	9,682	
Reversal of impairment and depreciation of sold assets	3,469	
Depreciation for the year	<u>1,784</u>	
Impairment losses and depreciation at 31 December	<u>7,997</u>	
Carrying amount at 31 December	<u>10,407</u>	
Amortised over	<u>10 years</u>	

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
Depreciation and impairment of tangible and intangible assets are recognised in the following items:		
Administrative expenses	<u>1,784</u>	<u>1,784</u>
	<u>1,784</u>	<u>1,784</u>

7 Tangible assets Property, plant and equipment

	<u>Land and buildings</u>	<u>Other fixtures and fittings, tools and equipment</u>
	TDKK	TDKK
Cost at 1 January	72,816	4,345
Transfer / corrections to 1 January	-10,325	10,325
Additions for the year	0	67
Disposals for the year	<u>0</u>	<u>-1,523</u>
Cost at 31 December	<u>62,491</u>	<u>13,214</u>
Impairment losses and depreciation at 1 January	30,400	3,684
Transfer / corrections to 1 January	-9,922	9,922
Depreciation for the year	1,317	226
Reversal of impairment and depreciation of sold assets	<u>0</u>	<u>-1,521</u>
Impairment losses and depreciation at 31 December	<u>21,795</u>	<u>12,311</u>
Carrying amount at 31 December	<u>40,696</u>	<u>903</u>
Amortised over	<u>5-50 years</u>	<u>3-6 years</u>

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
Depreciation and impairment of tangible and intangible assets are recognised in the following items:		
Administrative expenses	1,543	1,649
	<u>1,543</u>	<u>1,649</u>

8 Prepayments

Prepayments consist of other prepaid expenses.

9 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	9,500	9,500
	<u>10,000</u>	<u>10,000</u>

The equity has been unchanged for the last 5 years.

10 Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	124,000
Retained earnings	1,872	-120,335
	<u>1,872</u>	<u>3,665</u>

11 Provision for deferred tax

Intangible assets	2,290	2,682
Property, plant and equipment	3,648	3,761
Other payables	-341	-319
	<u>5,597</u>	<u>6,124</u>
Provision for deferred tax 1 January	6,124	6,667
Deferred tax recognized in the profit and loss statement	-527	-543
Provision for deferred tax 31 December	<u>5,597</u>	<u>6,124</u>

12 Prepayments

Prepayments consist of received pre payments for up front revenue.

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
13 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,492	1,870
Between 1 and 5 years	<u>1,061</u>	<u>2,055</u>
	<u>2,553</u>	<u>3,925</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 pre-guarantee of DKK 48 mDKK to the Danish government.

14 Related parties and ownership

Basis

Controlling interest

Controlling Interest

GlaxoSmithKline plc. Brentford, UK

Ultimate parent company

Setfirst Limited, Brentford, UK

Immediate parent company

Transactions

The company purchase pharmaceutical products and consumer healthcare products from group companies at arm's length. Apart from the above, 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.

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

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
15 Fee to auditors appointed at the general meeting		
Audit fee to PricewaterhouseCoopers	411	409
Tax assistance	71	0
Non-audit services	<u>92</u>	<u>0</u>
	<u>574</u>	<u>409</u>

Regnskabspraksis

Accounting Policies

Basis of Preparation

The Annual Report of GlaxoSmithKline Pharma A/S for 2016 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 2016 is presented in TDKK.

Recognition and measurement

The Financial Statement has been prepared under the historical cost method.

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.

Recognition and measurement take into account predictable losses and risk occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish Kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

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.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished 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 costs incurred to achieve revenue for the year.

Distribution expenses

Distribution expenses 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 expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment and re invoicing of services to an affiliated company.

Financial income and expenses

Financial income and expenses 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.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

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 of cost less accumulated amortisation and recoverable amount. Software is depreciated on a straight-line basis over its estimated useful life economically, based on Managements' 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 not depreciated on Land.

Assets costing less than DKK 15,000 are expensed in the year of acquisition.

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.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and cost of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

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.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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 years 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.

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.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$

