


GlaxoSmithKline Pharma A/S
Nykær 68
2605 Brøndby

GlaxoSmithKline Pharma A/S

Annual Report 2017

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

on 15 June 20 18



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 2017.

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 2017 and of the Company and of the results of the Company operations for the financial year 1 January - 31 December 2017.

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, 15 June 2018

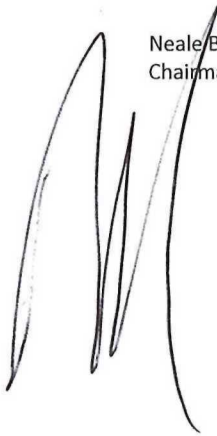
Executive Board



Saskia Fontein

Board of Directors

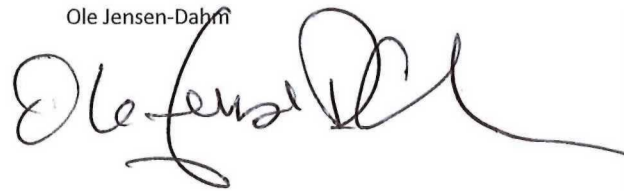
Neale Belson
Chairman



Saskia Fontein



Ole Jensen-Dahm



Independent Auditor's Report

To the Shareholders 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 2017, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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, 15 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Lars Baungaard

State Authorised Public Accountant

Mne23331



Maj-Britt Nørskov Nannestad

State Authorised Public Accountant

Mne32198

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	Neale Belson, 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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
DKKm					
Profit/loss					
Revenue	427	366	339	371	364
Operating profit/loss	13	5	3	15	10
Profit/loss before financial income and expenses	13	5	6	17	19
Net financials	0	-1	0	0	0
Net profit/loss for the year	10	2	4	12	14
Balance sheet					
Balance sheet total	192	332	236	230	267
Equity	35	26	148	144	147
Investment in property, plant and equipment	0	0	0	0	16
Number of employees	87	90	87	92	89
Ratios %					
Gross margin	29.1%	22.3%	32.9%	32.1%	34.9%
Profit margin	3.0%	1.3%	1.7%	4.7%	5.2%
Return on assets	6.7%	1.4%	2.4%	7.5%	7.1%
Solvency ratio	18.4%	7.8%	62.7%	62.8%	55.1%
Return on equity	31.4%	2.2%	2.5%	8.1%	9.4%

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 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 2017 showed an increase in revenue of DKK 60m, or 16.4% compared to 2016. 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. 2017 also saw patient numbers for Nucala exceed expectations and significant growth in sales for our Hepatitis vaccine portfolio, partly influenced by supply constraints from competitors.

During 2017 the Company divested the anaesthesia portfolio as part of a Global transaction managed by the parent company GlaxoSmithKline PLC. This transaction involved the divestment of three brands and provided a total contribution to revenue of DKK 1m. In addition, 2017 included a change in trade route structure for a group of licenced products the resulted in additional revenue for the Company of DKK 2.8m.

2017 saw consistent performance in sales in the Icelandic market, with steady market share growth in key focus areas.

Gross margin improved from 2016 to 2017 by 6.8%-points driven by favourable changes in the product mix.

Employees

GSK is committed to the development of its people and to providing opportunities to learn new skills or enhance existing strengths. Part of this strategy involves the rotation of international employees through the Denmark organisation. During 2017 there was a refocus of resources towards customer-facing positions and external interactions including an increase in the number of employees from outside of Denmark, which brings with it an increase in the cost base. GSK remains committed to developing local talent through initiatives such as the Future Leader Programme for young talent development.

Capital resources

A dividend of DKK 13.5m has been proposed in the 2017 annual report.

At the end of the financial year the company had a cash position of DKK 19m in the GSK cash pool.

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 continues to take clear actions to eliminate exchange rate risk and this was demonstrated in 2016 through changing of operating currency in Iceland from GBP to DKK. 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 therefore considered low.

Management's Review (continued)

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 2017 was driven primarily by these areas. We have seen significant growth in our HIV portfolio and expect this to continue following positive changes in prescription behaviours in Q4 of 2017.

The Company 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 2018 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. 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.

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

We saw a significant increase in revenue in 2017 compared with 2016

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 we have seen a positive impact on performance development as a result

The pharmaceutical market is a highly regulated area inside which we work positively and actively. Several factors will affect the development in 2018 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. The Company 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 2018 we expect to achieve revenue in the region of DKK 410m with a downside risk based on Generic product competition.

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 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 Ekokem in accordance with accepted industry standards - that the same process 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. 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 87 at the end of 2017.

Management's Review (continued)

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 2 men and 1 woman and the composition is evaluated as appropriate and in compliance.

With 7 women and 2 men in the management, the Company acknowledges this percentage is diverging away from the target. 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.

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) 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 at 31 December 2017 of the company and the results of the activities of the Company for the financial year 2017 have not been affected by unusual events.

Income Statement 1 January - 31 December

	Note	<u>2017</u> TDKK	<u>2016</u> TDKK
Revenue	2	426,868	366,477
Cost of goods sold		<u>-302,477</u>	<u>-284,704</u>
Gross profit/loss		124,391	81,773
Distribution expenses	3	-84,350	-52,472
Administrative expenses	3	<u>-27,255</u>	<u>-24,693</u>
Operating profit/loss		12,786	4,608
Other operating income		<u>0</u>	<u>6</u>
Profit/loss before financial income and expenses		12,786	4,614
Financial income	4	1,030	16,713
Financial expenses	5	<u>-1,073</u>	<u>-18,300</u>
Profit/loss before tax		12,743	3,027
Tax on profit/loss for the year	6	<u>-3,146</u>	<u>-1,155</u>
Net profit/loss for the year	7	<u>9,597</u>	<u>1,872</u>

Balance Sheet 31 December

Assets	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
Software	8	<u>8,623</u>	<u>10,407</u>
Intangible fixed assets		<u>8,623</u>	<u>10,407</u>
Land and buildings		39,379	40,696
Other fixtures and fittings, tools and equipment		<u>691</u>	<u>903</u>
Property, plant and equipment	9	<u>40,070</u>	<u>41,599</u>
Fixed assets		<u>48,693</u>	<u>52,006</u>
Inventories		<u>0</u>	<u>315</u>
Trade receivables		49,290	116,386
Receivables from affiliated companies		88,367	154,290
Other receivables		574	1,209
Prepayments	10	<u>5,121</u>	<u>7,746</u>
Receivables		<u>143,352</u>	<u>279,631</u>
Currents assets		<u>143,352</u>	<u>279,946</u>
Assets		<u>192,045</u>	<u>331,952</u>

Balance Sheet 31 December

Liabilities and equity

	Note	<u>2017</u> TDKK	<u>2016</u> TDKK
Share capital		10,000	10,000
Retained earnings		11,904	15,807
Proposed dividend for the year		<u>13,500</u>	<u>0</u>
Equity	11,7	<u>35,404</u>	<u>25,807</u>
Deferred tax	12	<u>4,533</u>	<u>5,597</u>
Provisions		<u>4,533</u>	<u>5,597</u>
Trade payables		9,363	10,071
Payables to affiliated companies		49,630	188,361
Corporation tax		4,210	1,683
Other payables		53,751	53,561
Deferred Income	13	<u>35,154</u>	<u>46,872</u>
Short-term debt		<u>152,108</u>	<u>300,548</u>
Debt		<u>152,108</u>	<u>300,548</u>
Liabilities and equity		<u>192,045</u>	<u>331,952</u>
Contingent assets, liabilities and other financial obligations	14		
Related parties and ownership	15		
Fee to auditors appointed at the General Meeting	16		
Subsequent events	17		

Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2017	10,000	15,807	0	25,807
Net profit/loss for the year	<u>0</u>	<u>-3,903</u>	<u>13,500</u>	<u>9,597</u>
Equity at 31 December 2017	<u>10,000</u>	<u>11,904</u>	<u>13,500</u>	<u>35,404</u>

Notes to the Annual Report

1 Accounting policies

Basis of Preparation

The Annual Report of GlaxoSmithKline Pharma A/S for 2017 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 2017 is presented in TDKK.

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.

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.

Notes to the Annual Report (continued)

1 Accounting policies (continued)

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

Other operating income 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 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.

Notes to the Annual Report (continued)

1 Accounting policies (continued)

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.

Assets costing less than DKK 13,200 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.

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 carryforwards, 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.

Notes to the Annual Report (continued)

1 Accounting policies (continued)

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.

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

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
2 Revenue		
Geographical segments		
Domestic market	385,631	341,537
Iceland	<u>41,237</u>	<u>24,940</u>
	<u>426,868</u>	<u>366,477</u>

The entire revenue of the Company is realised on the Danish and Icelandic markets. The sales include exclusively pharmaceutical prescription products and selected special products in dermatology.

Notes to the Annual Report (continued)

3	Staff	2017	2016
		TDKK	TDKK
	Wages and Salaries	85,352	71,709
	Pensions	5,612	5,396
	Other social security expenses	627	640
		<u>91,591</u>	<u>77,745</u>
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Distribution expenses	69,224	55,665
	Administrative expenses	22,367	22,080
		<u>91,591</u>	<u>77,745</u>
	Average number of employees	<u>87</u>	<u>90</u>
	According to section 98 B (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.		
4	Financial income		
	Interest received from group enterprises	341	293
	Other financial income	689	16,420
		<u>1,030</u>	<u>16,713</u>
5	Financial expenses		
	Interest paid to group enterprises	190	202
	Other financial expenses	883	18,098
		<u>1,073</u>	<u>18,300</u>
6	Tax on profit/loss for the year		
	Current tax for the year	4,210	1,682
	Deferred tax for the year	-1,064	-505
	Adjustment of tax concerning previous years	0	0
	Adjustment of deferred tax concerning previous years	0	-22
		<u>3,146</u>	<u>1,155</u>
7	Distribution of profit		
	Proposed distribution of profit		
	Proposed dividend for the year	13,500	0
	Retained earnings	-3,903	1,872
		<u>9,597</u>	<u>1,872</u>

Notes to the Annual Report (continued)

8 Intangible assets

	Software
	TDKK
Cost at 1 January 2017	18,404
Cost at 31 December 2017	18,404
Depreciation at 1 January 2017	7,997
Depreciation for the year	1,784
Impairment losses and depreciation at 31 December 2017	9,781
Carrying amount at 31 December 2017	8,623
Amortised over	10 years

9 Tangible assets, property plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January 2017	62,491	13,214
Cost at 31 December 2017	62,491	13,214
Impairment losses and depreciation at 1 January 2017	21,795	12,311
Depreciation for the year	1,317	212
Impairment losses and depreciation at 31 December 2017	23,112	12,523
Carrying amount at 31 December 31 December 2017	39,379	691
Amortised over	5-50 years	3-6 years
	2017	2016
	TDKK	TDKK
Depreciation and impairment of tangible and intangible assets are recognised in the following items:		
	3,313	3,327
Administrative expenses	3,313	3,327

Notes to the Annual Report (continued)

10 Prepayments	2017	2016
	TDKK	TDKK
Share Options	4,572	4,761
Other Prepayments	549	2,985
	<u>5,121</u>	<u>7,746</u>

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

11 Equity	2017	2016
	TDKK	TDKK
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 or the last 5 years.

12 Provision for deferred tax		
Intangible assets	1,897	2,290
Property, plant and equipment	3,470	3,648
Other payables	-834	-341
	<u>4,533</u>	<u>5,597</u>
Provision for deferred tax 1 January	5,597	6,124
Deferred tax recognized in the profit and loss statement	-1,064	-527
Provision for deferred tax 31 December	<u>4,533</u>	<u>5,597</u>

13 Deferred income

Deferred income consist of DKK 35m 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.

14 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,967	1,492
Between 1 and 5 years	2,409	1,061
	<u>4,376</u>	<u>2,553</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 pre-guarantee of DKK 46.87m to the Danish government.

Notes to the Annual Report (continued)

15 Related parties and ownership

Basis

Controlling interest

GlaxoSmithKline plc. Brentford, UK
Setfirst Limited, Brentford, UK

Ultimate parent company
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

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

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
16 Fee to auditors appointed at the General Meeting		
Audit fee to PriceWaterhouseCoopers	392	411
Tax assistance	0	71
Non-audit services	<u>83</u>	<u>92</u>
	<u>475</u>	<u>574</u>

17 Subsequent events

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