

GlaxoSmithKline Pharma A/S
Delta Park 37
DK-2665 Vallensbæk Strand
CVR 27 39 40 19

GlaxoSmithKline Pharma A/S

Annual Report 2021

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

on 13 June 2022



chairman

Electronically signed by: David
Hjortskov
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document as stated in the
Date: JUN 13, 2022 16:24
GMT+2

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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 2021.

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 financial position at 31 December 2021 and of the Company and of the results of the Company operations for the financial year 1 January - 31 December 2021.

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

Vallensbæk, 13 June 2022

Executive Board

David Mattheus Fredericus Rademakers



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David Rademakers
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Board of Directors

Patrick Connor

Patrick Gerard Connor
Chairman

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Patrick Connor
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David Mattheus Fredericus Rademakers

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T Luczkiw

Tetiana Luczkiw

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Independent Auditor's Report

To the shareholder of GlaxoSmithKline Pharma A/S

We have audited the financial statements of GlaxoSmithKline Pharma A/S for the financial year 1 January 2021 - 31 December 2021, 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 2021 and of the results of its operations for the financial year 1 January 2021 - 31 December 2021 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, and the IESBA Code. 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, 13 June 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Flemming Larsen
State-Authorised Public Accountant
MNE no 27790

Company Information

The Company

GlaxoSmithKline Pharma A/S
Delta Park 37
DK-2665 Vallensbæk Strand
Telephone: +45 36 35 91 00
Website: www.glaxosmithkline.dk
CVR No: 27 39 40 19
Municipality of reg. office: Vallensbæk

Board of Directors

Patrick Gerard Connor, Chairman
David Mattheus Fredericus Rademakers
Tetiana Luczkiw

Executive Board

David Mattheus Fredericus Rademakers

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

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.

	2021	2020	2019	2018	2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DKKm					
Profit/loss					
Revenue	446	442	417	414	427
Operating profit/loss	-11	-2	-12	-34	-25
Profit/loss before financial income and expenses	14	15	15	24	13
Net financials	0	0	0	-1	0
Net profit/loss for the year	9	12	11	18	10
Balance sheet					
Balance sheet total	137	160	174	232	192
Investments in property, plant and equipment	3	0	0	0	0
Equity	35	38	36	39	35
Number of employees	66	62	68	80	87
Ratios %					
Gross margin	25.0%	27.2%	27.4%	28.1%	29.1%
Profit margin	3.2%	3.3%	3.6%	5.8%	3.0%
Return on assets	10.4%	9.1%	8.6%	10.2%	6.7%
Solvency ratio	25.3%	23.6%	20.5%	17.0%	18.4%
Return on equity	24.8%	33.5%	30.0%	46.8%	31.4%

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 and Icelandic Market. The pharmaceuticals are purchased from group enterprises.

Development during the year

The past year development

2021 continued to be impacted by COVID challenges and restrictions with multiple stops on face to face activities by our external facings teams and the closure of our head office for periods of the year. As per 2020, the Danish team rapidly adapted to be able to have as much external touchpoints as possible (and allowed) virtually by continuing to upscale their capabilities and changing the expectations to the teams.

Despite the continued challenging circumstances, we ended the 2021 financial year with flat revenues in comparison to FY2020 which outperformed our internal expectations.

2021 saw continued strong performance across HIV with our market leading share maintained through the year however declines in our older established portfolio continued driven by price pressures and strong generic competition. The travel vaccine market remained challenging driven by the uncertainty around COVID-19 restrictions. Strong sales in Q4 were delivered through the launch of our COVID antibody Xevudy with large orders placed by the Danish authorities.

The new Oncology team built following the 2020 acquisition of Tesaro continued to focus on marketing Zejula (ovarian cancer) and also turned their attention towards the future launches in this space.

Capital resources

A dividend of DKK 8.9Mn has been proposed in the 2021 annual report.

Special risk factors - operating risks and financial risks

Financial risks

The Company obtains funding for its operations and investments within the group. The financial risk is therefore considered immaterial.

Foreign exchange risks

Most sales and purchases made by the company are in Danish Krone, therefore, the exchange rate exposure is kept to a minimum. It is the Company's policy not to speculate actively in or hedge foreign exchange risks.

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

The company in 2021 had 4 focus areas: Respiratory, HIV, Oncology & Vaccines. 2021 performance was driven primarily by continued growth of the Ellipta portfolio for Respiratory diseases, Nucala for Severe Asthma, the HIV portfolio and the launch of Shingrix (for Shingles).

For 2022 the company expects to focus on the same 4 therapy areas and are planning high level of activities focused on the interface with healthcare professionals which will result in a continuously strong demand for the products of the company. Following the successful COVID vaccination rollout, the company expects a return to some degree of normality and fewer access restrictions to customers.

The company will continue focus on innovation in 2022 by continuing to support the 3 new HIV launches from 2021, Oncology (1 extension and 1 launch) and Nucala (3 line extensions). We are scaling up the very exciting launch of a new vaccine preventing development of Shingles.

An important factor impacting our financial results is the level of parallel import which allows trading of products within the European pharmaceutical market from one-member state to another. It impacts price levels and leads to revenue recognition gaps. We continue to see increased impact of parallel trade for some of our key brands and expect this to also have an impact on financial performance. We also continue to see an impact of the increase in generic products entering the Danish market, however our expectation is that our new and innovative medicines will compensate for a part of the lost sales due to generics.

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

Management's Review (continued)

Targets and expectations for the year ahead

For 2022 we expect to have moderate revenue increase versus 2021, with operating profit also moderately increased vs last year. This increase will be driven by our new launches from 2021 as well as the planned recovery in the travel vaccine market following the planned lifting of COVID restrictions. Parallel imports will continue to impact the business however the generic impacts should be less significant than in previous years.

This decrease is fully attributable to the big decrease in travel vaccines due to COVID and parallel import/generics. Our Innovative portfolio reflects continued growth performance across Ellipta portfolio, extended market leadership on Severe Eosinophilic Asthma, uptake of our new HIV and Oncology medicines and the successful launch phase of Shingrix.

Basis of earnings

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.

Danish Financial Statement act §99a and §99b

The disclosure below covers all requirements stated in Danish Financial Statement act §99a and §99b for 2021.

Environment Issues, Health and Safety

The Company, in line with GSK corporate policy, is committed to sustainable practices for the environment and continuously reviews its operating procedures to ensure that it is minimising all risks of environmental pollution. The Company takes steps to limit the environment impact from its products and operations by eliminating waste and ensuring that products are disposed of in an environmentally friendly way. Packaging for new products is carefully considered to ensure that the options selected are environmentally sustainable. The Company takes health and safety seriously and takes initiatives to ensure that there is minimal exposure to risk by employees in their place of work.

Social responsibility and diversity

The company is covered by the obligation of information with regards to social responsibility. Please refer to the Group's reports concerning social responsibility: "Environmental, social and governance (ESG) data" on <https://www.gsk.com/media/7473/esg-performance-report-2021.pdf> and "annual report 2021" on <https://www.gsk.com/en-gb/investors/corporate-reporting/annual-report-2021/>

The company management is committed to our Modern Employer Agenda: 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 and realise their full potential. We are also dedicated to providing equal opportunity and career development to every employee irrespective of Gender, race and background. 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 2021 there were no changes to the Board which consists of 1 male and 2 female members. With six women and three men in the management, the company acknowledges this composition is unbalanced. The aim is to have a level of 50% men and 50% women in management by 2023. Deliberate and targeted organization development efforts are directed at changing the gender representation over number of years mainly through the recruiting process. Please refer to Group's report "Inclusion and diversity at GSK" on <https://www.gsk.com/en-gb/responsibility/our-people/inclusion-and-diversity-at-gsk/>

With future appointments the Company will take gender diversity into account and make serious efforts to comply with the equal gender targets set by the European Commission.

Uncertainty relating to recognition and measurement

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

Subsequent events

The financial position as at 31 December 2021 of the company and the results of the activities of the Company for the financial year 2021 have not been affected by any subsequent events.

The Company does not expect to be impacted by the war in Ukraine.

Management's Review (continued)

Risks associated with the coronavirus outbreak

The potential impact of the coronavirus outbreak on GSK's trading performance and supply continuity remains uncertain. Up to the date of this Report, the outbreak has not had a material impact on the trading results of the Group. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees.

Given the Groups' strong performance in 2021, strong liquidity position, and the positive results of the Company, this does not result in a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Data ethics

Currently, GSK has among others, the following policies, procedures and programs in place that touch upon and will inform the formation of the company's future data ethics principles:

- Global Code of Conduct
- Global Privacy Policy
- Global Privacy Notice and Consent SOP

The Global Privacy Office will take the lead to develop GSK's data ethics principles as well as the necessary guidance and governance around these. Policies and SOPs are approved through the Global Privacy Governance Board.

The Global Privacy Policy sets out the company's privacy principles and its commitment to the highest standards of integrity in dealing with and protecting Personal Information (PI). The policy covers any business activities involved with the collection, use, storage, sharing and deletion of PI.

There is a separate Global Privacy Notice and Consent SOP which establishes the process for when and how to provide notice to individuals whose PI is processed by or for GSK as well as the process to obtain and track consent for processing PI where required by law.

GSK has built its privacy policy on nine Principles applicable globally some of which are set out below and included in the Code of Conduct:

- Only collecting the minimum information necessary for its business goals
- Telling people exactly what is being done with their information
- How long PI will be kept for
- Why PI is being collected
- Destroying PI when it's no longer needed

All employees are required to complete the GSK values and expectations learning programme which connects to the GSK Values by exploring the GSK Code of Conduct and company policy expectations. Reading the GSK Code of Conduct is highly encouraged as part of this learning programme. This learning programme reiterates that integrity starts with individual responsibility and that if something doesn't feel right, employees should aim to speak up.

The Code of Conduct also sets out expectations around managing records properly and handling personal information with care which includes safeguarding personal information, keeping records up to date and gathering market/competitor data in the right way.

Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Revenue	2	445,873	441,702
Cost of goods sold		<u>-334,246</u>	<u>-321,366</u>
Gross profit/loss		111,627	120,336
Distribution expenses	3	-98,102	-98,237
Administrative expenses	3	<u>-24,526</u>	<u>-23,953</u>
Operating profit/loss		-11,001	-1,854
Other operating income	4	26,722	23,219
Other operating expenses	5	<u>-1,449</u>	<u>-6,735</u>
Profit/loss before financial income and expenses		14,272	14,630
Financial income	6	79	169
Financial expenses	7	<u>-42</u>	<u>-248</u>
Profit/loss before tax		14,309	14,551
Tax on profit/loss for the year	8	<u>-5,325</u>	<u>-2,280</u>
Net profit/loss for the year	9	<u>8,984</u>	<u>12,271</u>

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Software	10	1,487	3,271
Intangible fixed assets		1,487	3,271
Other fixtures and fittings, tools and equipment		3,113	0
Property, plant and equipment	11	3,113	0
Fixed assets		4,600	3,271
Trade receivables		31,947	25,212
Receivables from affiliated companies		96,830	127,663
Other receivables		27	0
Prepayments	12	4,085	3,918
Receivables		132,889	156,793
Currents assets		132,889	156,793
Assets		137,489	160,064

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		10,000	10,000
Retained earnings		15,878	15,794
Proposed dividend for the year		8,900	12,000
Equity	13,9	34,778	37,794
Deferred tax	14	685	978
Provisions		685	978
Trade payables		11,449	12,109
Payables to affiliated companies		37,938	61,302
Corporation tax		3,462	5,399
Other payables		49,177	42,482
Short-term debt		102,026	121,292
Debt		102,026	121,292
Liabilities and equity		137,489	160,064
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> TDKK	<u>Retained earnings</u> TDKK	<u>Proposed dividend for the year</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2021	10,000	15,794	12,000	37,794
Distributed Dividend	0	0	-12,000	-12,000
Net profit/loss for the year	0	84	8,900	8,984
Equity at 31 December 2021	<u>10,000</u>	<u>15,878</u>	<u>8,900</u>	<u>34,778</u>

Notes

1 Accounting policies

Basis of Preparation

The Annual Report of GlaxoSmithKline Pharma A/S for 2021 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 2021 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.

Segment Reporting

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

Income Statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 adjusted for Intercompany Transfer Pricing policy. Methodology used to calculate Transfer Pricing adjustments is TPR.

Distribution expenses

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

Administrative expenses

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

Notes (continued)

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature to the core activities of the enterprise, including income from intragroup transactions, i.e. intercompany service fees, operational excellence, promotional allowance.

Other operating expenses

Other operating expenses comprise items secondary to the activities of the entities, including losses on the disposal of intangible assets and property, plant and equipment.

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 in Denmark with other companies under the Group. 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.

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.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management.

Notes (continued)

1 Accounting policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
2 Revenue		
Geographical segments		
Denmark	396,471	390,612
Iceland	<u>49,402</u>	<u>51,090</u>
	<u>445,873</u>	<u>441,702</u>
Product segments		
Respiratory	179,112	185,512
HIV	130,688	125,322
Vaccines	37,910	43,265
Pharmaceuticals	<u>98,163</u>	<u>87,603</u>
	<u>445,873</u>	<u>441,702</u>

Notes (continued)

3 Staff	2021	2020
	TDKK	TDKK
Wages and Salaries	66,805	60,038
Pensions	4,954	4,027
Other social security expenses	397	650
	<u>72,156</u>	<u>64,715</u>

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

Distribution expenses	57,725	52,396
Administrative expenses	14,431	12,319
	<u>72,156</u>	<u>64,715</u>

Average number of employees	<u>66</u>	<u>62</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.

4 Other operating income	2021	2020
	TDKK	TDKK
Intercompany service fees, promotional allowances, operational excellence	26,722	23,219
	<u>26,722</u>	<u>23,219</u>

5 Other operating expenses	2021	2020
	TDKK	TDKK
Intercompany service fees	1,449	6,735
	<u>1,449</u>	<u>6,735</u>

6 Financial income	2021	2020
	TDKK	TDKK
Interest received from group enterprises	6	5
Other financial income	73	164
	<u>79</u>	<u>169</u>

7 Financial expenses	2021	2020
	TDKK	TDKK
Other financial expenses	42	248
	<u>42</u>	<u>248</u>

Notes (continued)

8	Tax on profit/loss for the year	2021	2020
		TDKK	TDKK
	Current tax for the year	3,462	5,443
	Deferred tax for the year	-293	-3,163
	Adjustment of tax payable concerning previous years	2,156	0
		<u>5,325</u>	<u>2,280</u>
9	Distribution of profit		
	Proposed distribution of profit		
	Proposed dividend for the year	8,900	12,000
	Retained earnings	84	271
		<u>8,984</u>	<u>12,271</u>
10	Intangible assets		
			Software
			TDKK
	Cost at 1 January 2021		18,404
	Cost at 31 December 2021		<u>18,404</u>
	Amortisation at 1 January 2021		15,133
	Amortisation for the year		<u>1,784</u>
	Amortisation at 31 December 2021		<u>16,917</u>
	Carrying amount at 31 December 2021		<u>1,487</u>
	Amortised over		<u>10 years</u>

Notes (continued)

11 Tangible assets, property plant and equipment

	Other fixtures and fittings, tools and equipment	
	TDKK	
Cost at 1 January 2021		12,061
Acquisitions		<u>3,264</u>
Cost at 31 December 2021		<u>15,325</u>
Impairment losses and depreciation at 1 January 2021		12,061
Depreciation for the year		<u>151</u>
Impairment losses and depreciation at 31 December 2021		<u>12,212</u>
Carrying amount at 31 December 2021		<u>3,113</u>
Depreciated over		<u>3-6 years</u>
	2021	2020
	TDKK	TDKK
Depreciation and impairment of tangible and intangible assets are recognised in the following items:		
Administrative expenses	<u>1,935</u>	<u>2,970</u>
	<u>1,935</u>	<u>2,970</u>

12 Prepayments

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

13 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>10,000</u>	<u>10,000</u>

The equity has been unchanged for the last 5 years.

Notes (continued)

14 Provision for deferred tax	<u>2021</u> TDKK	<u>2020</u> TDKK
Intangible assets	327	720
Property, plant and equipment	109	0
Prepayments	318	258
Other payables	-69	0
	<u>685</u>	<u>978</u>
Provision for deferred tax 1 January	978	4,141
Deferred tax recognized in the profit and loss statement	-293	-3,163
Provision for deferred tax 31 December	<u>685</u>	<u>978</u>

15 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Within 1 year	3,015	719
Between 1 and 5 years	<u>6,161</u>	<u>4,064</u>
	<u>9,176</u>	<u>4,783</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 11.7m (2020: DKK 46.9m) to the Danish government. The Company has also provided a guarantee of DKK 0.6m for the new office lease.

Notes (continued)

16 Related parties and ownership

Basis

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 DKK 244m (2020: DKK 213m) of inventory from GSK Trading Services Limited and DKK 106m (2020: DKK 38m) from ViiV Healthcare Trading Services UK Limited.

GSK Pharma has DKK 87m (2020: DKK 128m) of receivables from affiliates relating to cross charges for people related costs, and for intercompany service fees and interest.

GSK Pharma has DKK 56m (2020: DKK 61m) payables to affiliates relating to cost of goods sold, flu pandemic fee and intercompany charges.

GSK Pharma has paid DKK 12m (2020: DKK 25m) of dividends to Setfirst Limited.

Intercompany charges in 2021 of DKK 2.2m (2020: DKK 1.9m) is part of Administrative expenses.

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, 980 Great West Road, Brentford, Middlesex TW8 9GS, England (intermediate holding entity).

The Company is included in the Group Annual Report of GlaxoSmithKline Finance plc 980 Great West Road, Brentford, Middlesex TW8 9GS, England (ultimate holding entity).

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

There were no subsequent events after the financial year end.

