

Ferrosan International ApS

Annual Report 2018/19

Chairman of the Annual General Meeting

27 August 2020

Niels Walther-Rasmussen

Lautrupvang 8, DK-2750 Ballerup, Denmark
Registration no. 45 53 24 10

The Annual Report contains 16 pages

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Statement by the Board of Directors and the Executive Board

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

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 December 2018 - 31 December 2019.

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

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

Ballerup, Denmark, 27 August 2020

Executive Board:

.....
Michael Pedersen

Board of Directors:

.....
Michael Pedersen
Chairman

.....
David Marty Moss

.....
Thomas Maximilian Maurer

Independent auditor's report

To the shareholders of Ferrosan International ApS

Opinion

We have audited the financial statements of Ferrosan International ApS for the financial year 1 December 2018 – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 December 2018 – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the Company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the under-lying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen, 27 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No. 25 57 81 98

Lau Bent Baun

State Authorised Public Accountant

mne26708

Management's Review

Company Details

Address, zip code, city	Lautrupvang 8, DK-2750 Ballerup, Denmark
CVR no.	45 53 24 10
Home Page	https://dk.gsk.com/da-dk/
Tel.	+45 44 86 86 86
Board of Directors	Michael Pedersen, Chairman David Marty Moss Thomas Maximilian Maurer
Executive Board	Michael Pedersen
Auditors	KPMG Statsautoriseret Revisionspartnerselskab, Dampfærgevej 28, DK-2100 Copenhagen, Denmark

Management's review

The Company's business review

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

Ferrosan International ApS' marketing activities for nutrition and pharmaceutical products on the international market outside Scandinavia, finalized in financial year 2015/16.

Financial review

Ferrosan International ApS distributed Ferrosan products in markets where the Pfizer Group did not have routine distributors.

Ferrosan International ApS closed its main activities by the end of 2016 with all sales & distribution activities into the markets served in prior years, transitioning to Pfizer distribution affiliates in various countries.

From August 2019, Ferrosan International ApS became part of the joint venture between GSK and Pfizer.

The 2018/19 activity in Ferrosan International ApS consisted of payment of pending termination costs to employees and other closure costs in the Russian representation office.

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

Post balance sheet events

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

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

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

Outlook

Ferrosan International ApS does not expect any other future activities, all the activities related to the Russian representation office have been finalized during FY2018/19. Ferrosan International ApS will either be liquidated or part of the share capital will be decreased and converted to reserves in order to re-establish the share capital.

Income Statement

DKK'000	Note	13 months 2018/19	2017/18
		<u> </u>	<u> </u>
Other external expenses		-43	-540
Gross Loss		-43	-540
Staff costs		-18	-21
Operating Loss		-61	-561
Net interest income and expenses and similar items	2	-78	-38
Loss before Tax		-139	-599
Tax for the year	3	652	5
Profit/(Loss) for the year		513	-594
		<u><u> </u></u>	<u><u> </u></u>

Note 1 - Accounting Policies

Note 4 - Proposed Profit/(Loss) Appropriation

Balance Sheet as at 31 December/30 November

DKK'000	Note	2019	2018
ASSETS			
Current assets			
Receivables			
Trade receivables		-	2
Amounts owed by group enterprises		8,759	7,387
Deferred Tax	4	-	108
Other receivables		-	1
		8,759	7,498
Cash and cash equivalents		72	820
Total current assets		8,831	8,318
TOTAL ASSETS		8,831	8,318

Balance Sheet as at 31 December/30 November

DKK'000	Note	2019	2018
Equity and liabilities			
Equity			
Share capital	5	20,001	20,001
Retained earnings		-11,170	-11,683
Total equity		8,831	8,318
Total liabilities		-	-
TOTAL EQUITY AND LIABILITIES		8,831	8,318

Note 6 – Related Party Disclosures

Statement of changes in equity

DKK'000	Share Capital	Retained Earnings	Total
Equity at 1 December 2018	20,001	-11,683	8,318
Transferred from profit for the year	-	513	513
Equity at 31 December 2019	20,001	-11,170	8,831

The activity in several of the past years, resulted in losses that exceed 50% of the share capital. The Company does not expect any other future activities given that all the activities related to the Russian representation office have been finalized during FY2018/19. The immediate parent Company Ferrosan ApS is supported financially by the GSK Group and has a credit facility at GlaxoSmithKline Consumer Healthcare Finance Ltd with no upper limit. On the basis hereof, it is Management's assessment that there are no further risks for the Company despite its equity represents less than half of the share capital.

Notes

1 Accounting policies

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

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

Recognition and measurement

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

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

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

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

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

Reporting currency

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

Currency translation

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

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

Change in Financial Year

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

Income statement

Other external expenses

Other external expenses comprise administrative expenses.

Staff Costs

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

Financial income and expenses

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

Tax

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

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

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

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

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

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

Balance sheet

Receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Proposed dividend

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

Liabilities

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

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

DKK'000	2018/19	2017/18
2 Net interest income and expenses and similar items		
Interest expenses	-47	-24
Foreign exchange adjustments	-25	-2
Bank charges	-6	-12
	<u>-78</u>	<u>-38</u>
3 Tax on the loss for the Year		
Estimated income tax charge from joint taxation	-760	-198
Deferred tax adjustments in the year	-3,199	193
Adjustment for deferred tax from prior years	3,307	-
	<u>-652</u>	<u>-5</u>
4 Proposed Profit/(Loss) Appropriation		
Allocation to retained earnings	513	-594
	<u>513</u>	<u>-594</u>
5 Deferred Tax		
Property, plant and equipment	-	894
Tax loss carry forward	-	1,395
Write-down of deferred tax assets	-	-2,181
Total Tax assets [+]	<u>-</u>	<u>108</u>

6 Share capital

The share capital of DKK 20,001 thousand comprises 20,001 class A-share(s) of DKK 1,000.00 each.

The Company's share capital consists of shares in one class, which is divided into multiples of DKK 1,000.

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

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
Share Capital at 1 December	20,001	20,001	20,001	20,000	20,000
Increase in Share Capital	-	-	-	1	-
Share Capital at 31 December	20,001	20,001	20,001	20,001	20,000

Note 1: Capital increase of one A-share in year 2015/16

7 Related party Disclosures

Ferrosan International ApS related parties comprise:

Control

Ferrosan International ApS is owned 100% by Ferrosan ApS.

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

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