

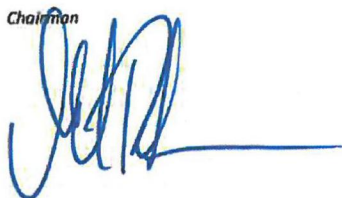
GlaxoSmithKline Consumer Healthcare A/S

Annual Report for 2016

CVR-nr. 55 54 18 17
Nykaer 68
2605 Brøndby

*The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company
on 19/06 2017*

Chairman

A handwritten signature in blue ink, consisting of stylized initials and a long horizontal line extending to the right.

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GlaxoSmithKline Consumer Healthcare A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

Brøndby, 19 June 2017

Executive Board



Michael Pedersen

Board of Directors



Magnus Tegström

Chairman



Michael Pedersen



Carlos Oropeza

Independent Auditor's Report

To the Shareholder of GlaxoSmithKline Consumer Healthcare A/S

Opinion

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

We have audited the Financial Statements of GlaxoSmithKline Consumer Healthcare A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 19 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Lars Baungaard

State Authorised Public Accountant



Maj-Britt Nørskov Nannestad

State Authorised Public Accountant

Company Information

The Company	GlaxoSmithKline Consumer Healthcare A/S Nykær 68 DK-2605 Brøndby Telephone: + 45 44 86 86 86 Facsimile: + 45 44 86 86 87 Website: www.glaxosmithkline.dk CVR No: 55 54 18 17 Financial period: 1 January - 31 December Municipality of reg. office: Brøndby
Board of Directors	Magnus Tegström, Chairman Michael Pedersen Carlos Oropeza
Executive Board	Michael Pedersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Lawyers	Mazanti-Andersen, Korsø Jensen & Partnere Amaliegade 10 DK-1256 København K
Bankers	Danske Bank Holmens Kanal 2-12 DK-1092 København K
Consolidated Financial Statements	The Company is included in the Group Annual Report of GlaxoSmithKline plc., Brentford, Middlesex, England.

Financial Highlights

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

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Profit/loss					
Revenue	479,393	521,444	413,324	405,058	391,806
Gross profit/loss	169,347	157,047	112,132	102,783	146,795
Profit/loss before financial income and expenses	19,297	27,052	23,250	14,546	29,818
Net financials	6,429	-18,528	-6,108	-2,727	1,287
Net profit/loss for the year	18,467	-26,718	12,578	9,540	25,197
Balance sheet					
Balance sheet total	445,350	680,958	703,680	664,555	598,884
Equity	239,633	461,166	487,884	475,306	465,766
Investment in property, plant and equipment	0	341	0	833	0
Number of employees	43	47	43	48	50
Ratios %					
Gross margin	35.3%	30.0%	27.1%	25.4%	37.5%
Profit margin	4.0%	5.0%	5.6%	3.6%	7.6%
Return on assets	4.3%	3.9%	3.3%	2.2%	5.0%
Solvency ratio	53.8%	67.7%	69.3%	71.5%	77.8%
Return on equity	5.3%	-5.6%	2.6%	2.0%	5.6%

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

Review

Main activity

The Company's principal activities comprise the importation and sale of pharmaceuticals and consumer healthcare products. The Company is domiciled and incorporated in Denmark and its principal place of business is located at Nykær 68, DK-2605 Brøndby.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 18,467 and as of 31 December 2016 the balance sheet of the Company shows equity of TDKK 239,633.

Until August 1st, 2016 the Danish Consumer Healthcare entity recognized the financial activities of the Norwegian and Finnish Consumer Healthcare businesses. As a result of the business cutover on August 1st which involved the integration of the Novartis OTC activities and portfolio into the GSK ERP environment and processes, the Norwegian and Finnish businesses were effectively terminated for the Danish Consumer Healthcare entity and started reporting their financial activities under their respective legal entities. Consequently, the total revenue recorded for the Danish Consumer Healthcare entity decreased by TDKK 42,051 in 2016 compared to 2015, solely attributed to this one-effect linked to the joint venture with Novartis. Effectively, as of August 1st 2016, the Danish Consumer Healthcare entity has started to record financial activities purely related to its in-country operations.

Excluding the one-off effect related to the transfer of the Norwegian and Finnish financial activities, the Danish Consumer Healthcare business showed solid performance across most of the categories it competes in, namely across Pain Relief, Respiratory, Smoker's Health and Skin Health. The performance in some of these categories were impacted by specific one-off effects, for example in the Respiratory category, a key competitor to Otrivin, Zymelin was out of stock during most of the first quarter and in Smoker's Health, Nicotinell benefited from a one-time increase in stock for some customers such as Matas. While these factors positively influenced performance in 2016, the underlying performance across these categories was also strong. The one area lagging in performance was Oral Health, which experienced an overall decline impacted primarily by soft performance on Sensodyne and Aquafresh which struggled in a declining market and from a lack of investment and focus.

Overall, the 2016 financial year was largely focused on the successful integration of the Novartis OTC activities and portfolio into the GSK ERP environment and processes. As before mentioned, in August of 2016, the businesses in Denmark were officially integrated under a common platform and started to operate as a truly combined business with a "one order one invoice" approach and "one face" to the customer. There was unprecedented focus on bringing the two businesses together and on reaching a stable and effective operating rhythm for the joint portfolio, which ultimately also resulted in the ability to cease the TDSA (Transitional Distribution Service Agreement) with Novartis as of September 2016; an agreement that had been in place since the go-live of the joint venture on March 2nd, 2015.

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

The Danish business will continue the organic growth of the combined portfolio, leveraging the visibility and control that it has inherently acquired since operating under a common set of tools and business processes. It will continue to make selective investments in its brands, drive pricing initiatives and launch new products in the unwavering pursuit of delivering on its promise of bringing consumers the ability to Do More, Feel Better and Live Longer.

The expectation for 2016 that was expected has been fulfilled and the revenue was increased taking into consideration that the sales regarding Norway and Finland has been moved to those jurisdictions.

Special risks – operating risks and financial risks

Financial risks

In consequence of its operations, investments and funding, the Company is exposed to changes in exchange rates and the interest level. It is the Company's policy not to speculate actively in financial risks. Accordingly, the Company's risk management is aimed solely at managing financial risks that have already been incurred.

Foreign exchange risks

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

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.

External environment

Environmental Issues, Health and Safety

GlaxoSmithKline Consumer Healthcare A/S, in line with GSK corporate policy, is committed to the good-keeping of 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 also considered to ensure that environmentally safe options are followed. We take health & safety seriously and take initiatives to ensure that our employees have a place of work where work-related risks are reduced to the extent possible.

Basis of earnings

Research and development

The Company believes that innovation is a key driver of its business, and the Parent Company, GlaxoSmithKline plc, conducts extensive research and development (R&D) activities principally in the UK and the US. Significant areas of R&D focus include fast & long-lasting OTC tablet technologies, gum & lozenge developments, premium toothpaste formulation and formulation upgrades, as well as the redesign of product packaging with due regard to environmental considerations. The Company has no R&D facilities of its own and conducts no R&D activities except occasional product packaging redesign activities for its local markets.

Social responsibility and diversity / DFA §99A and §99B

The Company must apply the rules regarding information on social responsibility. Reference is made to the group's reporting on social responsibility: "Responsible Business Supplement 2016" on www.gsk.com/responsibility.

GSK management is committed to provide equal opportunity and career development to every employee irrespective of Gender. The Danish GSK Consumer Legal entity is part of the GSK Consumer North. The Full Leadership Team of Consumer Healthcare North consists of 13 members of which 6 (46%) are female. The aim is to have a level of 50% women and 50% men in management and board. Deliberate and targeted organization development efforts are directed at changing the gender representation over a number of years. Moreover, targeted efforts are made in the recruiting process.

Uncertainty relating to recognition and measurement

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

Unusual events

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

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue	1	479,393	521,444
Cost of Goods Sold		-310,046	-364,397
Gross profit/loss		169,347	157,047
Sales and distribution expenses	2	-96,116	-90,072
Administrative expenses	2	-54,710	-40,837
Operating profit/loss		18,521	26,138
Other operating income	3	1,877	1,326
Other operating expenses		-1,101	-412
Profit/loss before financial income and expenses		19,297	27,052
Income/expense from Investments in subsidiaries	4	0	-791
Financial income	5	8,495	2,136
Financial expenses	6	-2,066	-19,873
Profit/loss before tax		25,726	8,524
Tax on profit/loss for the year	7	-7,259	-35,242
Net profit/loss for the year	13	18,467	-26,718

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Goodwill		4,600	6,052
Computer software		13,105	14,866
Intangible fixed assets	8	17,705	20,918
Equipment	9	181	661
Tangible assets		181	661
Investments in subsidiaries	10	0	0
Fixed asset investments		0	0
Fixed assets		17,886	21,579
Inventory		0	27,182
Trade receivables		83,576	102,940
Receivables from affiliated companies		308,104	517,365
Other receivables		29,450	11,845
Corporation tax		6,247	0
Prepayments	11	87	47
Receivables		427,464	632,197
Currents assets		427,464	659,379
Assets		445,350	680,958

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		TDKK	TDKK
Share capital		3,000	3,000
Proposed dividend		0	240,000
Retained earnings		236,633	218,166
Equity	12,13	239,633	461,166
Deferred tax	14	1,422	1,527
Provisions		1,422	1,527
Trade payables		6,958	25,893
Payables to affiliated companies		158,302	83,155
Corporation tax		0	42,354
Other payables		39,035	66,863
Short-term debt		204,295	218,265
Debt		205,717	219,792
Liabilities		445,350	680,958
Contingent assets, liabilities and other financial obligations	15		
Related parties and ownership	16		
Fee to auditors appointed at the general meeting	17		

Statement of changes in equity

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	3,000	218,166	240,000	461,166
Ordinary paid dividend	0	0	-240,000	-240,000
Net profit/loss for the year	<u>0</u>	<u>18,467</u>	<u>0</u>	<u>18,467</u>
Equity at 31 December	<u>3,000</u>	<u>236,633</u>	<u>0</u>	<u>239,633</u>

Notes to the Annual Report

	2016 TDKK	2015 TDKK
1 Revenue		
Geographical segments		
Domestic market	341,235	293,486
Other Nordic countries	138,158	226,357
Other EU markets	0	1,601
	<u>479,393</u>	<u>521,444</u>
Business segments		
Consumer Healthcare	479,393	521,444
	<u>479,393</u>	<u>521,444</u>
2 Staff		
Wages and Salaries	26,474	30,948
Pensions	2,109	2,517
Other social security expenses	973	585
	<u>29,556</u>	<u>34,050</u>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Sales and distribution expenses	16,695	19,067
Administrative expenses	12,861	14,983
	<u>29,556</u>	<u>34,050</u>
Average number of employees	<u>43</u>	<u>47</u>
According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.		
3 Other operating income		
Sales, distribution and administration, group companies	1,877	1,326
	<u>1,877</u>	<u>1,326</u>
4 Income/expense from investments in subsidiaries		
Share of profits of subsidiaries	0	610
Amortisation of goodwill	0	-2,210
Gain / loss sales	0	809
	<u>0</u>	<u>-791</u>
5 Financial income		
Of financial income DKK 31k are paid to related parties (2015: DKK 113k).		

6 Financial expenses

Of financial expenses DKK 0k are paid to related parties (2015: DKK 109).

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
7 Tax on profit/loss for the year		
Current tax for the year	5,084	8,416
Deferred tax for the year	104	-1,933
Current tax, prior year	2,280	28,759
Deferred tax prior year	-209	0
	<u>7,259</u>	<u>35,242</u>

8 Intangible assets

	<u>Goodwill</u>	<u>Software</u>
	TDKK	TDKK
Cost at 1 January	7,263	18,822
Additions for the year	0	0
Cost at 31 December	<u>7,263</u>	<u>18,822</u>
Depreciation at 1 January	1,211	3,956
Depreciation for the year	1,452	1,761
Impairment losses and depreciation at 31 December	<u>2,663</u>	<u>5,717</u>
Carrying amount at 31 December	<u>4,600</u>	<u>13,105</u>
Amortised over	<u>5 years</u>	<u>10 years</u>

9 Tangible fixed assets

	<u>Equipment</u>
	TDKK
Cost at 1 January	3,638
Disposals for the year	-1,826
Cost at 31 December	<u>1,812</u>
Impairment losses and depreciation at 1 January	2,977
Reversal of depreciations of sold assets	-1,512
Depreciation for the year	166
Impairment losses and depreciation at 31 December	<u>1,631</u>
Carrying amount at 31 December	<u>181</u>
Amortised over	<u>3 - 10 years</u>

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
Depreciation and impairment of tangible and intangible assets are recognised in the following items:		
Administrative expenses	<u>3,379</u>	<u>3,164</u>
	<u>3,379</u>	<u>3,164</u>

10 Investments in subsidiaries

Cost at 1 January	0	372,400
Disposals for the year	<u>0</u>	<u>-372,400</u>
Cost at 31 December	<u>0</u>	<u>0</u>
Revaluations at 1 January	0	-201,746
Net profit/loss for the year	0	610
Amortisation of goodwill	0	-2,210
Disposals for the year	<u>0</u>	<u>203,346</u>
Revaluations at 31 December	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>0</u>	<u>0</u>

11 Prepayments

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

	2016	2015
	TDKK	TDKK
12 Equity		
3,000 shares with a nominal value of DKK 1,000	3,000	3,000
	3,000	3,000
The equity has been unchanged for the last 5 years.		
13 Distribution of profit		
Proposed distribution of profit		
Proposed dividend for the year	0	240,000
Retained earnings	18,467	-266,718
	18,467	-26,718
14 Deferred tax		
Intangible assets	2,753	3,450
Property, plant and equipment	-99	-144
Other payables	-1,232	-1,779
	1,422	1,527
15 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3,078	2,889
Between 1 and 5 years	1,422	1,826
	4,500	4,715

Contractual obligations

Contractual obligations

The company has entered into agreements with an affiliated company regarding rendering of services. The agreements may be terminated by 3 - 6 months notice and total commitments in the period of non-terminability amounts to DKK 700K.

Other

The Company has provided a customs guarantee of DKK 2,000k to the Norwegian customs authorities.

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.

16 Related parties and ownership

Basis

Controlling interest *Controlling Interest*

GlaxoSmithKline Consumer Healthcare (Overseas) Ltd.,
980 Great West Road, Brentford, Middlesex,
Tw8 9GS, United Kingdom

Controlling shareholder

Transactions *Transactions*

The company purchase pharmaceutical products and consumer healthcare products from group companies at arm's length. A member of the board has performed legal services 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 *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:

GlaxoSmithKline Consumer Healthcare (Overseas) Ltd., Company no. 09237639, 980 Great West Road, Brentford, Middlesex, Tw8 9GS, United Kingdom

17 Fee to auditors appointed at the general meeting

Audit fee to PricewaterhouseCoopers
Tax advisory services
Non-audit services

	2016	2015
	TDKK	TDKK
Audit fee to PricewaterhouseCoopers	440	809
Tax advisory services	433	0
Non-audit services	27	0
	900	809

Regnskabspraksis

Accounting Policies

Basis of Preparation

The Annual Report of GlaxoSmithKline Consumer Healthcare A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2016 is presented in DKK.

Recognition and measurement

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

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

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

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

Translation policies

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

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

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

Segment reporting

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

Income Statement

Revenue

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

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

Cost of Goods Sold

The Cost of goods sold comprises costs incurred to achieve revenue for the year.

Sales and distribution expenses

Sales and distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment and income from sale of sales and administration and distribution fees to group 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 Company is jointly taxed with sister company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

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

Depreciation period: 5-10 years

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. If it is not possible to reliably estimate useful life the amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment assets 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 cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Equipment: 3 - 10 years

Assets costing less than DKK 12,900 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 are 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.

Inventory

Inventories are measured at the lower of cost under the FEFO 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 costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

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 is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, advertising expenses, etc.

Dividend

Dividend distribution proposed by Management for the year is recognised in equity

Deferred tax assets and liabilities

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

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

Financial debts

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

Cash Flow Statement

The cash flow of GlaxoSmithKline Consumer Healthcare 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 Consumer Healthcare A/S, ref. Danish Financial Statements Act § 86, stk. 4.

Accounting Policies

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