

Affymax N.V.
(Registered Number FC18840)

Annual Report and Financial Statements

For the year ended 31st December 2007

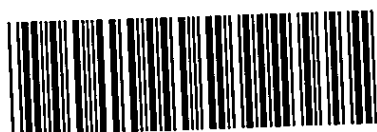
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Berkeley Avenue
Greenford
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Affymax N.V.

Annual Report and Financial Statements

For the year ended 31st December 2007

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Affymax N.V.

Directors' Report for the year ended 31st December 2007

The Directors submit their report and the audited financial statements for the year ended 31st December 2007

The Company is incorporated in the Netherlands, but the Company's management and business is located in the United Kingdom and is based at Glaxo Wellcome House, Berkeley Avenue, Greenford, Middlesex, UB6 0NN, England

Principal activities

The principal activity of Affymax N V (the "Company") is that of an investment holding company in the GlaxoSmithKline Group ("the Group") The Company through its subsidiaries Affymax Technologies N V ("ATNV") and Affymax Research Institute ("ARI") retains a participation in Affymax Inc's common stock The Directors do not envisage any change to the nature of the business in the foreseeable future

Review of business

The Company made a profit on ordinary activities after taxation of £4,671,000 (2006 - £3,387,000) The Directors are of the opinion that the current level of activity and the year end financial position are satisfactory and will remain so in the foreseeable future

The retained profit after tax for the year of £4,671,000 will be transferred to reserves (2006 - £3,387,000 retained profit transferred to reserves)

Results and dividends

The Company's results for the financial year are shown in the profit and loss account on page 4

No dividend is proposed to the holders of Ordinary Shares in respect of the year ended 31st December 2007 (2006 - £nil)

Directors and their interests

The Directors of the Company who served during the year are as follows

Mr P F Blackburn

Mr R Emerson

Mr E B Cale III - Resigned on 1st February 2008

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business

Directors' indemnity

Each of the Directors who is an individual, other than MR E Cale III, benefits from an indemnity given by another Group undertaking, GlaxoSmithKline Services Unlimited This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by reason of his engagement in the business of the Company

Affymax N.V.

Directors' Report for the year ended 31st December 2007

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that year

In preparing the financial statements the Directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

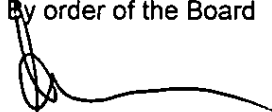
As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts

Auditors

PricewaterhouseCoopers LLP are willing to continue in office as auditors and resolutions dealing with their reappointment and remuneration will be proposed at the Company's Annual General Meeting

By order of the Board



Paul Williamson

For and on behalf of Edinburgh Pharmaceutical Industries Limited – Assistant Secretary

29th February 2008

Affymax N.V.

Independent Auditors' Report to the members of Affymax N V.

We have audited the financial statements of Affymax N V for the year ended 31st December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, applicable to overseas companies. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

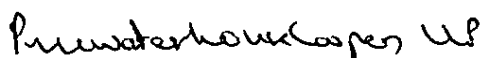
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31st December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29th February 2008

Affymax N.V.

Profit and Loss Account
For the year ended 31st December 2007

		2007	2006
	Notes	£'000	£'000
Operating expenses	2	(131)	(861)
Net movement in provision against fixed asset investments	3	1,291	1,237
Operating profit		1,160	376
Interest receivable	4	4,959	3,933
Profit on ordinary activities before taxation		6,119	4,309
Taxation	5	(1,448)	(922)
Profit on ordinary activities after taxation		4,671	3,387
Retained profit	10	4,671	3,387

The results disclosed above relate entirely to continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit stated above and their historical cost equivalents

The Company had no recognised gains or losses during the year other than those reflected in the above profit and loss account

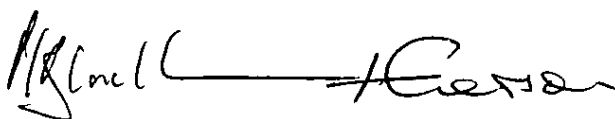
The notes on pages 6 to 9 form part of these financial statements

Affymax N.V

**Balance Sheet
As at 31st December 2007**

		2007	2006
	Notes	£'000	£'000
Investments	6	44,803	43,512
Fixed assets		44,803	43,512
Debtors	7	98,039	93,189
Cash at bank		1	1
Current assets		98,040	93,190
Creditors: amounts due within one year	8	(3,848)	(2,378)
Net current assets		94,192	90,812
Total assets less current liabilities		138,995	134,324
Net assets		138,995	134,324
Capital and reserves			
Called up share capital	9	349	349
Share premium account	10	126,327	126,327
Profit and loss account	10	12,319	7,648
Equity shareholders' funds	11	138,995	134,324

The accounts on pages 4 to 9 were approved by the Board of Directors on 29th February 2008 and were signed on its behalf by:



P Blackburn
Director

R.Emerson
Director

29th February 2008

The notes on pages 6 to 9 form part of these financial statements

Notes to the Financial Statements for the year ended 31st December 2007

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

(a) Basis of accounting

These financial statements have been prepared on the going concern basis, using the historical cost convention, and have been drawn up in accordance with UK generally accepted accounting principles and with UK accounting presentation

(b) Foreign currency transactions

Foreign currency transactions are booked in local currency at the exchange rate ruling on the date of the transaction, or at the forward rate if hedged by a forward exchange contract. Foreign currency assets and liabilities are translated into local currency at rates of exchange ruling at the balance sheet date, or at the forward rate. Exchange differences are included in trading profit.

(c) Fixed asset investments

Fixed asset investments are stated in the balance sheet at cost less any provision made for impairment in value. Such investments are classified as current assets when regarded as available for sale.

(d) Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged against profit in the year concerned. First year impairment reviews are conducted for acquired goodwill and intangible assets. Certain intangibles are considered to have an indefinite life and are therefore not amortised. Such intangibles are subject to annual impairment tests. Impairment is determined by reference to the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows.

(e) Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantially enacted at the balance sheet date.

The Company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax on the retained earnings of overseas subsidiaries is only provided when there is a binding commitment to distribute past earnings in future periods.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

2 Operating expenses

	2007 £'000	2006 £'000
Exchange losses on foreign currency transactions	91	841
Administration expenses	40	20
	131	861

GlaxoSmithKline Services Unlimited provides various services and facilities to the Company including finance and administrative services for which a management fee is charged. A management fee of £4,104 (2006 - £4,104) for services provided to the Company and an additional charge for auditors remuneration of £3,350 (2006 - £3,000) are charged by GlaxoSmithKline Services Unlimited.

3 Net movement in provision against fixed asset investments

	2007 £'000	2006 £'000
Reversal of prior year provision against the value of subsidiary undertakings	1,291	1,237
	1,291	1,237

Affymax N V

Notes to the Financial Statements for the year ended 31st December 2007

4 Interest receivable

	2007 £'000	2006 £'000
Investment income		
On loans with group undertakings	4,959	3,933
	4,959	3,933

5 Taxation

Taxation charge based on profits for the period	2007 £'000	2006 £'000
UK corporation tax at 30% (2006 - 30%)	1,448	922
	1,448	922
Reconciliation of the current taxation charge	2007 £'000	2006 £'000
Profit on ordinary activities at the UK statutory rate 30%	1,836	1,293
Income not taxable	(388)	(371)
Current tax charge for the period	1,448	922

The rate of UK corporation tax will be reduced from 30% to 28% with effect from 1st April 2008

No provision is required for deferred taxation

6 Fixed asset investments

	Subsidiary undertakings		Total
	Shares at cost £'000	Provisions £'000	£'000
At 1st January 2007	100,849	(57,337)	43,512
Credit for the year	-	1,291	1,291
At 31st December 2007	100,849	(56,046)	44,803

Details of the principal subsidiary undertakings of the Company as at 31st December 2007 are given in Note 19

7 Debtors

	2007 £'000	2006 £'000
Amounts due within one year		
Amounts owed by group undertakings	98,039	93,189
	98,039	93,189

Affymax N V

Notes to the Financial Statements for the year ended 31st December 2007

8 Creditors

	2007 £'000	2006 £'000
Amounts due within one year		
Amounts owed to group undertakings	2,375	1,449
Taxation	1,448	922
Accruals and deferred income	25	7
	3,848	2,378

The corporation tax creditor contains amounts which will be paid to fellow group companies

9 Called up share capital - equity interests

	2007 Number of shares	2006 Number of shares	2007 £'000	2006 £'000
Authorised				
Common Shares of EUR 0.03 (£0.02) each	40,000,000	40,000,000	774	774
Non cumulative preferred D Shares of EUR 0.03 (£0.02) each	3,000,000	3,000,000	58	58
Non cumulative preferred E Shares of EUR 0.03 (£0.02) each	3,000,000	3,000,000	58	58
Issued and fully paid				
Common Shares of EUR 0.03 (£0.02) each	18,179,297	18,179,297	349	349
Non cumulative preferred D Shares of EUR 0.03 (£0.02) each	-	-	-	-
Non cumulative preferred E Shares of EUR 0.03 (£0.02) each	-	-	-	-

The Netherlands Guilder 0.06 share price, per the Company's articles, has been converted to Euro 0.03 using the official fixed Euro rate of NGL 2.20371 EUR 1.00

10 Reserves - equity interests

	Profit & Loss account £'000	Share Premium £'000	Total Reserves £'000
At 1st January 2007	7,648	126,327	133,975
Profit after tax for the financial year	4,671	-	4,671
At 31st December 2007	12,319	126,327	138,646

11 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	4,671	3,387
Opening shareholders' funds	134,324	130,937
Closing shareholders' funds – equity interests	138,995	134,324

Affymax N V

Notes to the Financial Statements for the year ended 31st December 2007

12 Contingent liabilities

The Company, together with fellow group undertakings has entered into a group banking arrangement with the Company's principal bankers. The bank holds the right to pay and apply funds from any account of the Company to settle any indebtedness to the bank of any other party to this agreement. The Company's maximum potential liability is limited to the amount held on its account with the bank. No loss is expected to accrue to the Company from the agreement.

13 Employees

The Company had no employees or related staff costs during the year (2006 - nil)

14 Directors' remuneration

During the year the Directors of the Company were remunerated as executives of the Group. They received no remuneration in respect of their services to the Company (2006 - £nil)

15 Cash flow statement

A cash flow statement has been included in the consolidated financial statements of GlaxoSmithKline plc, the ultimate parent undertaking. As a wholly owned subsidiary of the ultimate parent undertaking, advantage has been taken of the exemption afforded by FRS 1 'Cash Flow Statements' (Revised 1996) not to prepare a cash flow statement.

16 Group financial statements

The Company is a wholly owned subsidiary of the ultimate parent company and as such has taken advantage of the exemption from preparing group financial statements under Section 228 of the Companies Act 1985.

17 Ultimate parent undertaking

GlaxoSmithKline plc, a company registered in England and Wales, is the Company's ultimate parent undertaking. The largest and smallest group of undertakings for which group financial statements are prepared and which include the results of the Company, are the consolidated financial statements of GlaxoSmithKline plc. Copies of the consolidated financial statements can be obtained from The Company Secretary, GlaxoSmithKline plc, 980 Great West Road, Brentford, Middlesex TW8 9GS. The immediate parent undertaking is Glaxo Venture Limited.

18 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 8 'Related Party Disclosures' not to disclose any related party transactions within the Group. There are no other related party transactions.

19 Principal subsidiaries and associated undertakings

The principal subsidiaries and associated undertakings of the Company as at 31st December 2007 are as follows:

Company	Percentage shares held	Class of shares held	Country of Incorporation
Affymax Research Institute	100	Common	USA
Affymax Technologies N V	100	Common	Netherlands Antilles
Affymax Technologies N V *	100	Non- Cumulative Preferred	Netherlands Antilles

* The Non-Cumulative Preferred Shares in Affymax Technologies N V have no voting rights.

The principal activity of Affymax Technologies N V is that of an investment company.