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It is a pleasure to be here this morning and to be able to update you on where GSK is as we start 2014. Clearly, we are still in a closed period and, until we announce our results on 5 February, I cannot comment on the numbers on more detail than we have already given for the nine months.

2013: a year of strategic delivery

However, today I shall try to give you some perspectives on how we see the year and the years ahead in fact after what has been a very busy 2013 for GSK, as many of the strategic levers and restructuring initiatives of the last several years and the new shape of the company become much clearer as we move forward. In particular, we have the delivery of five significant approvals during the course of 2013.

Those of you who have been following the company for some time will recognise these three strategic pillars that have been very much our focus over the last several years. I believe that 2013 records material progress on each of these three fronts.

The priority for the last several years has been very much about putting growth back into the system and building out a much more diversified base, both geographically but also strengthening our mix of Pharma, Vaccines and Consumer. The resilience of the progress we have made there really shows through in the sales growth we have delivered during the year: up 2% excluding divestments, despite a number of unexpected headwinds.

The second leg in terms of delivering more products of value is really about reshaping R&D. This is not a process that happens overnight, it takes time but we are very pleased with the progress not least in terms of the specific approvals that we delivered during 2013, which I shall talk about a little more in a couple of slides, but also the momentum we are seeing behind those approvals, both in rounding out the portfolio and bringing new potential indications into the mix and making them much more visible. This is testament to the changes we have made there and the more dynamic R&D organisation that we are creating.

The third leg was to simplify the operating model and this has been around driving the returns and making sure the company is focused and prioritised in a clear enough way,

so that we can make sure we maximise the commercial opportunities we are creating; so that we broaden out the growth platforms we are delivering, and that we make sure we deliver the returns both in terms of profitability but also converting more of those profits to cash that we can either reinvest in the business or return to shareholders. I believe you saw us lean into that in the continued dividend growth we have recorded in the nine months so far, the strong cash conversion and we shall report more on that when we deliver the results at the beginning of February.

Further strengthening of business mix

Looking at these in a little more detail, over the last couple of years we have put a lot of focus into building up our Vaccines and Consumer businesses to bring some more balance into the mix. This has included making acquisitions but it has also, importantly, included making a number of divestments. You saw us during the course of 2013 dispose of our drinks businesses after a year in 2012 when we had cleaned out the tail of the Consumer business. You can see that in the acceleration of growth we have seen over the last 18 months in that business, and the greater focus we have been able to bring so that the investments we are putting behind it are really making the right returns, and are competitive with the other investments we need to make across the portfolio.

I believe you have seen similar progress on the Pharma side where we are increasingly focusing the company around those core franchises where we have leadership positions today but, importantly, where we also have pipeline to come: whether it is Respiratory, Oncology or HIV. We are seeing much more focus from the company and a clearer prioritisation as far as where we put our investments, and the performance you saw during the course of 2013, despite having relatively few new products in that overall mix beyond the Oncology portfolio, again shows resilience in the face of some significant headwinds.

Continued rebalancing of geographies

Europe is a good example of that refocusing really beginning to pay off. You saw us suffer significantly from the austerity measures during 2012. We have restructured that business materially and taken a lot of above country overhead out, we have reduced headcount but, most importantly, we have reallocated a lot of our salesforce effort behind those three or four key franchises. You have seen that in a much stronger performance from Europe during 2013 to date and, importantly, much better volume growth and market share protection, positioning those platforms and those franchises for the pipeline to come.

The other key part of that growth prioritisation has been to build out the geographies, to put more balance into the system and, again, I believe you saw that pay off during the

course of 2013. Despite the fact that the Emerging Market businesses saw some slowdown, they are not immune to the economic pressures we have seen in the US and in Europe - despite some theories that they might be - that clearly did not turn out to be the case. We, in particular, suffered materially during the third quarter from the ongoing inquiry into our business in China but I think you can see that, both in the reshaping of Europe, the continued restructuring of the US business and our investments in Japan, the portfolio effect really helped us to deliver that consistent growth during the first nine months and deliver 2% overall.

I should just say that Emerging Markets have been subject to quite a lot of debate over the last several months but for us they remain a very important part of the strategy. We have invested heavily here. We still see very good growth opportunities: we have now nearly 40% of the sales base outside of the US and Europe, which is about where we want it to stay. However, even though they may have slowed a little, mid single digit growth is still very much more attractive than anything you will see in Europe, which is an environment we see continuing to be challenged over the next several years. Therefore, if you put the geographical balance alongside the product strengthening I talked about on the previous slide, you can see why we feel that the base of the company, as it exists today, is much more resilient than it was a few years ago, and it provides us a lot of opportunity now to launch the pipeline.

Significant R&D delivery of new products during 2013

During 2013 we delivered five of the six files that we called out at the beginning of the year. We delivered a sixth approval in our quadrivalent flu' which has had a phenomenally successful season with sales in the US up nearly 30% on the back of a new product introduction. This is a testament to the effectiveness of our commercial organisation, which I know attracts quite a lot of attention, and in the launches we have made so far, we have very good evidence that we can launch if given the right product and the right data.

It is a little early to call any particular trend out of the launches but we are very encouraged by the progress we have made so far. On our BRAF/MEK oncology products, we are generating very good pull-through, very good receptivity from physicians and patients, and our market share of new scrips is probably of the order of 50% today. That is tracking pretty consistently and is very competitive with other launches in this space.

With *Tivicay*, we know we have very strong data, we have a very effective integrase inhibitor here and, if you track the scrip volumes, the take-up and the share of voice in some of the other market metrics that you would expect, it is delivering on a very competitive trajectory to the best of some of the recent STR launches, despite the fact that it is clearly

not a single tablet regime at this point. We have our own version of that under file and we shall wait to see how that progresses during the course of 2014. However, we are very encouraged by the way in which *Tivicay* has landed so far.

On the Respiratory side, we only launched *Breo* in the last couple of months of the year and, again, this genuinely is very early to call. However, in the engagement we have had with patients and physicians so far, we are getting very good receptivity and we are beginning to make significant progress in terms of our contracting discussions. The nature of the payor and provider universe means that the consolidation we have seen in that space makes those discussions longer and more difficult to complete but we are working our way through that. This is one of the reasons why we have said repeatedly that these launches will take time to build, and this is something we shall be monitoring, watching and reporting back to you consistently during the course of 2014.

The important thing is that we take our time, we make sure that we build the most sustainable positions going forward so that we deliver the value that we see in those products. Already, we have around 50% coverage as far as the engagement we have had. We have about 50 million tier 2 lives under our belt so far, and we are seeing very good momentum on the *Breo* side. We shall be making similar plans for *Anoro*, which we shall launch during the first quarter. Therefore, while it is an encouraging start, these are still very early days and we shall give you more of an update on that when we deliver our results. However, this is something that we shall work through during the whole of 2014, not just in the next few months.

Continued progress in building a more sustainable pipeline

I mentioned earlier that we are very encouraged by the momentum behind those first waves of approvals. You can see here on the slide another six files that we currently have with regulators. Some of those are building out monotherapies and adjacencies to the existing approvals I have just talked through, which is an important point in itself in that we are building depth and breadth in that portfolio of new products and in the refresh of our portfolio overall.

There are also other potentially significant products like albiglutide where we believe we have an effective positioning in the market. We have very good data head-to-head against insulin, which is not a space that many of our competitors in this area are likely to go after given their existing businesses. However, we believe there is a good opportunity, as a result, for us to make a space for that product if we get approval. Therefore, there is more momentum to come.

Beyond that, there is an interesting wave of Phase III data expected in 2014 with another six important readouts here, such as the darapladib or MAGE programmes, on which you have already seen some of the data already, but we have always been clear that you need the whole picture before you can decide what those products might or might not be. Alongside that, we have interesting new programmes such as mepo, which potentially offers breakthrough treatment for severe asthma, and one that we believe has significant market space if we deliver on that programme. Therefore, there is quite a lot of news flow both from approvals and late stage data to come, which adds to the momentum that we are building in the pipeline.

GSK financial architecture ensuring focus on returns

As you will remember, I introduced a new financial architecture for GSK when I came on board, which is around making sure that the third leg of the strategy is delivering the returns that we see, and that the company is totally aligned and focus around where it should invest and what the prioritisation is. Remember what the financial strategy is: put more growth back into the system; deliver new products to drive that growth forward; build a cost base that is more flexible and efficient so that we can deliver operating leverage and financial efficiency, in order that we ultimately drive earnings per share faster than sales growth. We are going to work the P&L to make sure that we deliver that earnings per share growth on the most sustainable basis and, as I have said a number of times, in the short term while we invest behind those launches and behind the restructuring that I have just described to you, that probably means a little more pressure in the top half of the P&L than it does in the bottom half of the P&L.

The financial efficiencies come more quickly and more than make up for that pressure in the guidance we have given for 2013. As the pipeline delivers more revenues from our more developed markets into the mix, we would expect that position to flip round and deliver against our medium term objective of improving the operating leverage of the company. However, it will take revenues from the pipeline to offset some of the mix and drag that you see from growing in the Emerging Markets, or growing in Consumer, which are clearly lower margin businesses.

Continued delivery of restructuring benefits

Why are we confident that leverage appears? Look at the scale of the restructuring we are undertaking across the cost base of the company: both in manufacturing and in the operational and functional side of the company, we have seen very significant savings delivered up to about £2.7 billion in total so far; £200 million in the first nine months of 2013 relative to the first nine months of 2012. There is also a new programme on top of that

which we announced last year, which will deliver a further £1 billion of savings over the next two or three years. All of this allows us to drop significant amounts of that to the bottom line while still investing behind positioning those launches, making sure that we are building leverage into the system and that we do not need to ramp up our expenses as those sales follow through. I believe you have seen that in the performance in the year to date on R&D and SG&A costs.

There will probably be a little more pressure over the next couple of years at the cost of goods line, where whenever you launch new products where your volumes are much lower than you would expect on a steady state basis when you are bringing in royalties, we need to optimise that with the new launches but we need volume to do that. Therefore, in the short term, you will see a little more drag at the cost of goods line, and we are offsetting quite a lot of that, but probably not all of that, in the short term back to the fact that we need new revenues to grow and build from the pipeline if we are to deliver against the operating leverage objective. However, we feel very comfortable that we are building the flexibility in the system that we need to do that.

Further financial efficiency gains

In the meantime, we continue to target financial efficiencies. We have made significant adjustments to our funding structure. We have taken advantage of an era of low interest rates to lock in much more attractive long-term funding, and to introduce a lot more flexibility, recognising that we are likely to continue to make divestments and be able to manage the short end of our debt maturities. We have reduced funding costs by over 3% in the last two or three years, while maintaining our targeted credit rating of A1/P1, which is a central part of our funding strategy. I believe that it balances equity returns with other stakeholder risks in an optimal way, while leaving us flexible to look at good opportunities if they come along. However, that is very much not our focus at the moment. Our focus is making sure that we invest organically and, again, we need funding to do that: restructuring does not come without cash costs and we need to make sure we have the flexibility to continue to invest behind those initiatives.

The tax rate has come down significantly and we shall probably do a little better than 24% for this year, which is before we get to the benefits from the restructuring we put in place in 2012 to move a lot of out intellectual property into the UK Patent Box. That, again, will be something we see develop as the pipeline comes through and revenues from those new relocated products start to contribute to the overall total.

On the share buyback, as we announced when we started again in 2011, we are looking for a sustainable position here. The dividend is our first commitment, and we shall

use buybacks to titrate and keep the balance sheet tight. However, the pattern we have established of starting the year with a range and working within that during the course of the year, depending on what else comes along, how we do with cash generation and other investment opportunities, is one that I believe gives us the chance to react and to keep the balance sheet tight as we manage that during the course of the year. So expect more of the same going forward.

Continued focus on cash flow

Finally, on cash flow, this is a big focus for me, one where we have made a lot of changes in the metrics that we use to report internally. We have a much more integrated set of working capital programmes and, in particular, in the last 12 months we have given the manufacturing businesses ownership of this across the company, whether it is Vaccines, Pharma or Consumer, so that we do not have the commercial businesses worrying about whether they are stocked and whether they have buffers for supply. That is all about making sure that our supply chains are effective, transparent and delivering on time. This is what will be behind the drive and the improvement in performance that we are targeting over the next several years.

As you know, my philosophy on working capital has been steady sustainable progress. I believe that we have made good progress on receivables and payables; now we need the supply chains to deliver but more to go for there.

Regarding capital expenditure, we have changed the way we look at this. We are much more rigorously benchmarked now between the three businesses. We have a common clearing house for trading off investments that we need to make between those businesses and, as a result, we are seeing a steady improvement in returns relative to other uses of capital. However, we are in a period where we are launching a number of new products, we need to put investments into our manufacturing businesses and, as I said at the end of 2012, we should expect capital expenditure to tick up a little, though not hugely, while we do that. Also, as you think about the overall returns proposition, we need to put cash behind the restructuring and the efficiency improvement programmes we have, and we are working our way through that at the moment.

Returns to shareholders

However, we are still managing our portfolio to make sure that we are releasing resources both internally, but also through divestments, and you saw us release over £2 billion of proceeds in 2013 from non-core assets, so that we can make sure that, as well as investing in the long-term future of the company, we can maintain a strong commitment to cash distributions to shareholders, and we have returned over £5 billion in 2013 to

shareholders through the dividend and the ongoing buyback. We have delivered over £23 billion over the last five years, which really is the last piece of that financial architecture of delivering more sustainable sales growth, delivering leverage across the P&L, driving earnings per share faster, converting more of those earnings per share to cash that we can either reinvest or return to shareholders.

2013: a year of strategic delivery

As we look back on 2013, and we shall give some more commentary around this on 5 February, we feel pretty good about the progress we have made. We have clearly had some unexpected headwinds but we believe that the resilience of the mix and the geographies that we have now laid into the core of the company have shown that we can withstand and balance those, and there are always issues that come along from year to year. However, most importantly, we have made very real progress on the R&D front. We have five potentially significant new products that we are beginning to launch, and that will be a key measure we shall be tracking, and on which we shall report back to you as we go into 2014. Thank you for your time.

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