



do more
feel better
live longer

Annual Summary 2014

"I am proud to work on our respiratory portfolio and know how important these medicines are to the lives of patients."

Julie, GSK respiratory packaging operator, Ware, UK

Chairman's statement

To shareholders



Returns to shareholders remain a key priority for the Board and in 2014 we set a dividend of 80p per share, an increase of 3%.

On behalf of the Board I am pleased to report that we saw good progress against the Group's strategy of building a diversified business, delivering more products of value and simplifying the operating model. In particular, the proposed three-part transaction with Novartis will transform the future shape of the Group.

Returns to shareholders remain a key priority for the Board and management team. Despite the challenging trading environment, a focus on cost and financial efficiencies have allowed the Board to set a dividend of 80p per share for 2014, an increase of 3%. For 2015 we expect to maintain the dividend at 80p per share and return £4 billion following completion of the proposed Novartis transaction.

The Board is committed to ensuring that GSK operates to the highest standards of corporate governance and in a way that meets the changing expectations of society.

In this respect, the Board supports the further progress made in 2014 by the Group to change how it rewards sales representatives and engages with healthcare professionals to meet customer needs and put patients first.

This forward-looking approach was also exemplified in the work to file the world's first malaria vaccine with regulators in 2014 and GSK's response to the Ebola crisis.

The Audit & Risk Committee plays a critical role in overseeing the issues and challenges faced by the management team, including, in 2014, the resolution of the investigation by the Chinese authorities into our business there. We have implemented substantial changes to our Chinese business as a consequence.

The Board expects the Group to remain vigilant on compliance issues and fully supports management's efforts to encourage employees who have concerns to speak up, to investigate all allegations that are made and to continue to invest in improved procedures.

An independent evaluation was undertaken of the Board and our Committees in 2014 and the results confirmed the Board operated in an effective manner.

This will be my last report as Chairman of GSK. Following an extensive search, Sir Philip Hampton has been appointed as my successor. Sir Philip joined the Board at the start of January and will become Deputy Chairman in April and Chairman from the end of the 2015 AGM.

Through my time as Chairman I have seen many changes and much progress made to deliver innovation from R&D; improve access to our medicines and vaccines; and evolve the company's operating model. This has been coupled with a strong commitment to shareholder returns.

As I look forward, with the integration of the new businesses post the proposed Novartis transaction close, further restructuring and innovation still to come in the R&D pipeline, I am confident GSK will deliver considerable, long-term value and returns for shareholders.

A handwritten signature in black ink, appearing to read 'Chris Gent'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Sir Christopher Gent
Chairman

CEO's statement

Review of the year



Our proposed three-part transaction with Novartis will fundamentally reshape the Group and is a major step towards fulfilling our strategy.

2014 saw marked progress against the Group's strategic priorities despite challenging trading conditions, particularly in the US primary care market.

This led to sales for the year declining 3% CER* to £23 billion and core earnings per share down 1% CER to 95.4p, with some of the sales pressure mitigated through delivery of cost and financial efficiencies.

Pharmaceutical and vaccines sales grew in Emerging Markets by 5% and Japan by 1%. Europe was flat. This was offset by US sales declining 10% as a result of continued pricing and contracting pressure, particularly in our respiratory business. We have worked hard to improve our formulary positioning and coverage in the US and we are starting to see some early encouraging signs of how this will help us regain market share and deliver improved performance in respiratory.

I was also very pleased with the performance of our HIV business, ViiV Healthcare, which grew 15% with sales of newly launched products being among the best in class. Performance in our Consumer Healthcare business was impacted by some supply issues with sales for the year falling 1%, but increasing 2% in the last quarter following progress in remediation of these issues.

A key highlight of the year, was our announcement in April of our proposed innovative three-part transaction with Novartis where we will acquire their vaccines business, form a joint Consumer Healthcare company and sell Novartis our marketed oncology products. The transaction is a major step towards fulfilling the Company's strategy of creating a simpler, stronger and more balanced platform for long-term growth.

The R&D organisation continues to show good momentum. Following five approvals in 2013 we received four further significant product approvals in 2014 in respiratory, HIV and diabetes. We are also awaiting regulatory decisions on *Breo Ellipta* for use in asthma and our first-in-class monoclonal antibody treatment for severe asthma. We also have a number of other exciting pipeline assets in therapy areas such as HIV, respiratory diseases, immunoinflammation, immuno-oncology, cardiovascular disease and a vaccine for shingles prevention.

We also continue to make good progress in changing our business model to meet the expectations of society. We have rolled out changes to how we compensate our sales representatives and we are on track to implement our commitment to stop paying doctors to speak on our behalf by 2016. Nothing better demonstrated our commitment to innovation and access than our work on a vaccine for malaria which was filed during 2014, and our very rapid response to the Ebola crisis.

Looking to 2015, sales headwinds faced by the Group in 2014 will continue to adversely affect performance with a greater impact in the first half of the year. However, with annualisation of these factors and successful execution of our priorities, we expect a stronger performance in the second half of the year.

Finally, I would like to thank all our employees, partners and suppliers for their continued commitment and support.

A handwritten signature in black ink, reading "A. P. Witty". The signature is written in a cursive, slightly stylized font.

Sir Andrew Witty
Chief Executive Officer

What we do

Our business

We are a science-led global healthcare company that researches and develops innovative pharmaceuticals, vaccines and consumer healthcare products.

Pharmaceuticals



£15.5bn

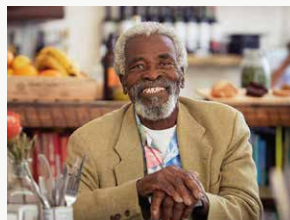
Total turnover

67.3%

of Group turnover

Our Pharmaceuticals business develops and makes medicines to treat a broad range of acute and chronic diseases. Our portfolio is made up of innovative and established medicines and we have leading global positions in respiratory disease and HIV.

Sales by product line	£m
Respiratory	6,181
Oncology	1,202
Cardiovascular, metabolic and urology	965
Immuno-inflammation	214
Other pharmaceuticals	2,407
ViiV Healthcare (HIV)	1,498
Established Products	3,011



Vaccines



£3.2bn

Total turnover

13.9%

of Group turnover

Our Vaccines business is one of the largest in the world. We have a broad portfolio of over 30 paediatric, adolescent, adult and travel vaccines. In 2014, we distributed approximately 800 million doses in 170 countries.

Sales by product line	£m
<i>Infanrix, Pediarix</i>	828
<i>Boostrix</i>	317
<i>Cervarix</i>	118
<i>Fluarix and FluLaval</i>	215
Hepatitis	558
<i>Rotarix</i>	376
<i>Synflorix</i>	398
Other	382



Consumer Healthcare



£4.3bn

Total turnover

18.8%

of Group turnover

Our Consumer Healthcare business is one of the largest in the world, driven by science and values. We develop and market products in four categories – Wellness, Oral health, Nutrition and Skin health – and our brands are available in over 100 countries.

Sales by category	£m
Wellness	1,596
Oral health	1,797
Nutrition	633
Skin health	310



Our strategic priorities

How we deliver

Our strategy is designed to increase growth, reduce risk and improve our long term financial performance.

Our strategic priorities

Progress in 2014

Grow a diversified business

Our aim is to create a balanced business and product portfolio, capable of delivering sustainable sales growth, centred on three business areas of Pharmaceuticals, Vaccines and Consumer Healthcare.

Announced proposed major three-part transaction with Novartis to bolster Vaccines and Consumer Healthcare businesses.

Transition to new respiratory portfolio underway with launch of *Relvar/Breo Ellipta*, *Anoro Ellipta*, *Incruse Ellipta* and *Arnuity Ellipta*.

Successful launches of HIV treatments *Tivicay* and *Triumeq*.

Deliver more products of value

Our aim is to research and develop high quality products that offer valuable improvements in treatment for patients, consumers and healthcare providers.

Significant new product approvals in respiratory diseases, HIV and diabetes.

Malaria candidate vaccine, RTS,S, submitted for regulatory approval.

Announced positive phase III study results for our shingles candidate vaccine (HZ/su).

Simplify the operating model

Our aim is to reflect how our business is changing by transforming how we operate to reduce complexity and become more efficient.

This frees up resources to reinvest elsewhere in the business.

£400 million of incremental savings delivered through restructuring initiatives and ongoing cost reduction.

Global enterprise resource planning system rolled out to 19 markets.

Responsible business

Being a responsible business is central to our strategy, and how we deliver success is just as important as what we achieve. Ensuring our values are embedded in our culture and decision making helps us better meet the expectations of society.

Collaborated with partners to accelerate development of Ebola vaccine candidate.

Delivered global roll-out of new sales force compensation approach.

Launched new Africa strategy to reach 80% of the sub-Saharan African and Least Developed Countries population by 2020.

2014 overview

A year in highlights

A significant year for GSK not without its challenges, resulting in a strong response from the Group.

Changing the shape of GSK

We announced a proposed innovative three-part transaction with Novartis which will fundamentally reshape the company. It will further strengthen our vaccines portfolio through the acquisition of Novartis's vaccines business (excluding influenza), and create a Consumer Healthcare joint venture, in which GSK will have a controlling 63.5% equity interest. We are selling Novartis our oncology marketed assets for \$16 billion, realising a very attractive price.

R&D momentum

We continue to see significant organic pipeline delivery and this year expect up to 25 phase II or III starts. In our late stage pipeline we see significant potential for our vaccine to prevent shingles, our triple combination therapy for COPD and a new long acting HIV treatment. Additionally, we have a number of exciting early stage assets in therapy areas such immune-inflammation, immune-oncology and cardiovascular disease.

Strong respiratory portfolio and pipeline

We have been leaders in respiratory medicines for over 40 years and in 2014 we continued to strengthen our portfolio with approvals of *Incruse Ellipta* and *Arnuity Ellipta*, following approval in 2013 of *Relvar/Breo Ellipta* and *Anoro Ellipta*. We have a strong respiratory pipeline.



Advancing vaccines for Malaria and Ebola

We reached a major milestone with the submission of a regulatory approval for our candidate malaria vaccine, RTS,S, to the European Medicines Agency. We are also working with partners to accelerate the development of an Ebola vaccine at an unprecedented rate.



Modernising how we sell and market our medicines

We are fundamentally changing our commercial model to ensure patients come first. Our sales professionals no longer have individual sales targets, but instead, are rewarded on their knowledge, quality of service they deliver to customers and broader business performance. From 2016 we will stop paying doctors to speak on our behalf.



First in the Access to Medicines Index

GSK topped the Access to Medicines Index in 2014 for the fourth consecutive time. The Index measures the performance of the top 20 pharmaceutical companies on their efforts to improve access to medicines and healthcare in developing countries.

Successful HIV launches

In HIV, ViiV Healthcare continued to perform strongly with sales up 15% in 2014, following the very successful launches of *Tivicay* and *Triumeq* (combined sales £339 million). The launches of these products have been among the best in class. We continue to evaluate options for a potential IPO of a minority stake in this business.

Cost control

We remain focused on cost control and improving financial efficiencies. During 2014 we delivered around £400 million of incremental savings compared with 2013 through our various restructuring initiatives and on-going cost reduction efforts. In addition to these, the proposed Novartis transaction allows us to target synergies of £1 billion over five years.

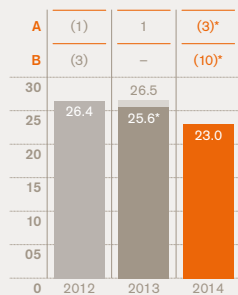
How we performed

Key performance indicators

We measure our performance against a number of key performance indicators.

Group turnover

£23.0^{bn}



A Reported growth CER %
B Reported growth £ %

How we performed

Turnover was down 3%, excluding divestments in the prior year. Lower pharmaceutical and vaccines sales in the US and in Established Products only partly offset by growth in Emerging Markets, Japan and ViiV Healthcare. Consumer Healthcare sales were lower.

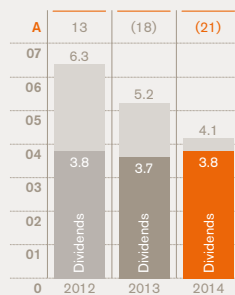
Why it's important

A key objective of our strategy is to deliver sustainable, broadly-sourced sales growth.

* excluding divestments completed in 2013

Cash returned to shareholders

£4.1^{bn}



A Reported growth CER %

How we performed

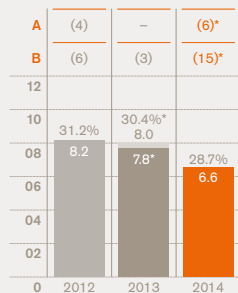
During 2014, GSK returned £4.1 billion to shareholders via dividends and share buybacks.

Why it's important

We continue to focus on delivering dividend growth over the long term and returning free cash flow to shareholders through share buybacks where this offers a more attractive return than alternative investments.

Core operating profit

£6.6^{bn}



A Reported growth CER %
B Reported growth £ %

How we performed

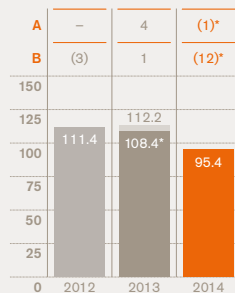
Core operating profit was £6.6 billion. Excluding currency effects, core operating margin declined 0.8 percentage points, primarily reflecting an increase in SG&A as a percentage of sales.

Why it's important

Our objective remains to improve operating leverage. The margin indicates how costs are being managed as a percentage of sales.

Core earnings per share

95.4^p



A Reported growth CER %
B Reported growth £ %

How we performed

Core EPS decreased 1% (CER) compared with a 3% (CER) decline in turnover as a result of cost and financial efficiencies.

Why it's important

Earnings per share is a key indicator of our performance and the returns we are generating for shareholders.

* excluding divestments completed in 2013

Financial information

Summary

Our financial results for 2014 are summarised in the following tables

Group turnover by segment

	2014 £m	2013 (restated) £m	Growth* CER%	Growth £%
Pharmaceuticals and Vaccines:				
US	4,980	5,817	(10)	(14)
Europe	4,035	4,226	–	(5)
Emerging Markets	3,203	3,370	5	(5)
Japan	937	1,058	1	(11)
ViiV Healthcare	1,498	1,386	15	8
Established products	3,011	3,874	(16)	(22)
Other trading and unallocated	1,006	1,115	(1)	(10)
Pharmaceuticals and Vaccines	18,670	20,846	(4)	(10)
Consumer Healthcare	4,336	4,756	(1)	(9)
	23,006	25,602	(3)	(10)
Divestments	–	903		
Total turnover including divestments	23,006	26,505	(7)	(13)

Total Group turnover for 2014, including divestments completed in 2013, was down 7%, with Pharmaceuticals and Vaccines down 6% and Consumer Healthcare down 11%.

Reconciliation of core operating profit

Reconciliation	£m	£m
2014		
Core operating profit		6,594
Intangible asset amortisation	(575)	
Intangible asset impairment	(150)	
Major restructuring costs	(750)	
Legal charges	(548)	
Acquisition accounting and other	(974)	
		(2,997)
Total operating profit	3,597	

Reconciliation of core earnings per share

Reconciliation	pence	pence
2014		
Core earnings per share		95.4
Intangible asset amortisation	(7.6)	
Intangible asset impairment	(2.5)	
Major restructuring costs	(11.3)	
Legal charges	(10.9)	
Acquisition accounting and other	(5.8)	
		(38.1)
Total earnings per share	57.3	

We use a number of adjusted measures to report the performance of our business. These include core results (and CER growth), which are used by management for planning and reporting purposes and may not be directly comparable with similarly described measures used by other companies. Core results exclude the following items from total results: amortisation and impairment of intangible assets and goodwill; major restructuring costs; legal charges and expenses; other operating income; disposals of associates, products and businesses, and acquisition accounting adjustments for material acquisitions, together with the tax effects of these items. The calculation of constant exchange rate (CER) growth is described on page 52 of our Annual Report 2014.

*During 2014 we have reported core results performance measured against 2013 core results excluding divestments completed during 2013.

Financial information

continued

Summarised financial results

	Core results £m	Non-core items £m	2014 Total £m	Core results excluding divestments £m	Non-core items and divestments £m	2013 Total £m
Turnover	23,006	–	23,006	25,602	903	26,505
Operating profit	6,594	(2,997)	3,597	7,771	(743)	7,028
Profit before tax	5,978	(3,010)	2,968	7,122	(475)	6,647
Profit after tax	4,806	(1,975)	2,831	5,487	141	5,628
Profit attributable to non-controlling interests		(147)	75	250	(58)	192
Profit attributable to shareholders	4,584	(1,828)	2,756	5,237	199	5,436
Earnings per share	95.4p	(38.1)p	57.3p	108.4p	4.1p	112.5p
Diluted earnings per share	94.2p	(37.5)p	56.7p	106.5p	4.0p	110.5p
Dividends per share			80p			78p
			2014 £m			2013 £m
Non-current assets			25,973			26,859
Current assets			14,678			15,227
Total assets			40,651			42,086
Current liabilities			(13,295)			(13,677)
Non-current liabilities			(22,420)			(20,597)
Total liabilities			(35,715)			(34,274)
Net assets			4,936			7,812
Shareholders' equity			4,263			6,997
Non-controlling interests			673			815
Total equity			4,936			7,812
			2014 £m			2013 £m
Net cash inflow from operating activities			5,176			7,222
Net cash (outflow)/inflow from investing activities			(1,078)			524
Net cash outflow from financing activities			(5,385)			(6,273)
(Decrease)/increase in cash and bank overdrafts in the year			(1,287)			1,473
Cash and bank overdrafts at beginning of the year			5,231			3,906
Exchange adjustments			84			(148)
(Decrease)/increase in cash and bank overdrafts			(1,287)			1,473
Cash and bank overdrafts at end of the year			4,028			5,231

This document does not constitute a strategic report with supplementary material within the meaning of section 426 of the Companies Act 2006.

The definition of core results is set out on page 8.

Shareholder returns and information

Dividends

Dividend	Payment date	2014 pence	2013 pence
First interim	10 July 2014	19	18
Second interim	2 October 2014	19	18
Third interim	8 January 2015	19	19
Fourth interim	9 April 2015	23	23
Total		80	78

The ordinary dividend of 80p is an increase of 3% over the 78p in 2013.

Dividend calendar

Quarter	ADS ex-dividend date	Ex-dividend date	Record date	Payment date
Q4 2014	18 February 2015	19 February 2015	20 February 2015	9 April 2015
Q1 2015	13 May 2015	14 May 2015	15 May 2015	9 July 2015
Q2 2015	12 August 2015	13 August 2015	14 August 2015	1 October 2015
Q3 2015	10 November 2015	12 November 2015	13 November 2015	14 January 2016

2014 Annual Report and AGM documents

The 2014 Annual Report and Notice of Annual General Meeting (AGM) are now available at www.gsk.com

The GSK 2015 AGM will be held at 2.30pm on Thursday 7 May 2015:

The Queen Elizabeth II Conference Centre
Broad Sanctuary
Westminster
London SW1P 3EE

Keeping up to date

To receive future notifications from us by email, please register at www.shareview.co.uk

You can request printed copies of our Annual Report 2014 from Equiniti and BNY Mellon.

Shareholder and investor contacts

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shrrelations@cpushareownerservices.com
www.mybnymdr.com

*UK lines are open from 8.30am to 5.30pm Monday to Friday, except UK public holidays, and calls to the number are charged at 8p per minute plus network extras

Front cover story



Julie, GSK respiratory packaging operator Ware, UK

Julie (pictured) has been with GSK for 32 years and works as a respiratory packaging operator at our manufacturing site in Ware in the UK. Over the years, her role has been to help ensure that our life-saving medicines for COPD and asthma – from *Ventolin* to *Seretide* and most recently our four new medicines administered by the *Ellipta* inhaler, *Relvar/Breo*, *Anoro*, *Incruse* and *Arnuity* – are always of the highest quality and are available to patients across the world when they need them.

A key part of Julie's role is to help colleagues at GSK understand more about the patient at the end of the supply chain and how critical the contribution of every employee is to delivering our medicines.

She leads a training programme which covers quality, safety and patient impact – helping employees to appreciate the importance of GSK's respiratory medicines to millions of adults and children.

Julie is just one of the many people within GSK who have helped us remain as the leaders in respiratory medicine for over 40 years.

We are continuously striving to generate scientific insights to help us develop new medicines and inhalers that meet the needs of patients and have launched more new respiratory medicines in the past two years than in the previous 15 years combined, offering greater choice to healthcare professionals and patients.

Head Office and Registered Office

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Registered number: 3888792

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Cautionary statement

GSK cautions investors that any forward-looking statements or projections made by GSK, including those made in this announcement, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Such factors include, but are not limited to, those described under 'Risk factors' in the company's Annual Report 2014.