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James Gordon: Good afternoon, I'm James Gordon, JP Morgan Pharmaceutical Analyst and this afternoon I have the pleasure of introducing the GSK presentation. Just as a reminder, we are going to have a break-out after this presentation which is in the Georgian Room. To get there, come out of here, take a right and then a left but now I will hand over to GSK's Chief Strategy Officer and Chairman of ViiV, David Redfern for the presentation. Over to you.

Presentation by

David Redfern, Chief Strategy Officer, GSK

Okay, thank you very much James. Good afternoon, everyone. As always, it's a great pleasure to be back in San Francisco.

I think it's fair to say 2014 was a somewhat mixed year for GSK. On the one hand we had strong performances with our Emerging Markets business, up 9% through the nine months, I'm pleased to say a strong performance from ViiV, up 12% through the nine months and very importantly we announced in April our complex and important three-part transaction with Novartis which I will certainly come back to in a minute.

On the other hand we faced pricing and formulary access issues with our Respiratory business, particularly here in the US which acted as a drag and we had *Lovaza* generics for the first time.

GSK strategy

Nonetheless, I think as we go into 2015 we go in with confidence; we go in with our strategy very intact and very consistent. This is a slide we first put up six years ago; to grow a more diversified global business, less dependent on one blockbuster; to innovate, deliver more products of value across the portfolio and to simplify the business and take cost out and over the last six years actually we have made very substantial progress on that.

We have a much more diverse business in therapy areas and also globally, 40% now outside of the US and Europe. We have had ten major approvals in the last two years which is more than our fair share and a number of simplification initiatives, not least the £1 billion we announced for the Pharma business with our Q3 results.

Proposed Novartis transaction

So a lot going on and we think the Novartis transaction really fits exactly in line with that strategy. This was a deal, as I say that we announced in April and it really strengthens two of our global businesses, so our Consumer Healthcare business and our Vaccines business, both long-term annuity type businesses and at the same time we realised a very substantial value for our Oncology business. Some of that net proceeds, £4 billion, we plan to return to shareholders during the course of this year.

We are on track for closing the Novartis deal during the first half of this year. Things are going very well. It's a lot of work, but as I say, we are making progress. When we have closed the transaction we will have a lot more to say, firstly about financial guidance for 2015, and secondly really about strategic fit and the underlying businesses, particularly in Consumer Healthcare and Vaccines and what Novartis brings.

Leadership in 3 core businesses

To give you a bit of flavour of that today and just to sort of reset what GSK will look like post this transaction, it will be on '13 numbers about £25 billion of pro-forma revenue and a quarter of that will be the Consumer Healthcare business, so we will be one of the world's leading consumer healthcare businesses, right up there with J&J. We think it's a fantastic fit of products and of categories with the GSK brands and the Novartis brands. We are going to have leadership positions in pain management, coughs and colds, smoking cessation and so forth.

It is also a very good fit geographically. We think there will be 36 countries around the world, significant countries where this business will be the market leader and as you can see, about half the business in OTC and the other half in what we call fast moving consumer healthcare goods, so oral care, nutrition and skin care.

We have been working on the integration during the course of this year and I think the more we work on it the more we see the opportunity, the more we see the fit and the global scale, the critical mass and innovation and advertising promotion we can really put behind this business, so that's pretty exciting.

Leadership in 3 core businesses

The second piece of it is Vaccines. We were just about the global leader in vaccines. We have a long history, a very broad portfolio of paediatric vaccines, adolescent vaccines like the cervical cancer vaccine, travel vaccines and of course flu vaccines.

What Novartis really brings is firstly a very clear overall GSK global leadership position. It brings great bacterial vaccines, particularly in meningitis; meningitis B, Men-ACWY which is just being rolled out in the early days. It brings a bacterial research

capability to complement GSK's great strength in viral vaccines, so it has some interesting pipeline assets for Group B Strep, for maternal and so forth.

It also brings an opportunity to rationalise cost. Novartis is a supplier to us today of diphtheria and tetanus vaccines so we can consolidate that supply chain and create cost efficiency. It also gives us the opportunity to internationalise our Vaccines business a lot more and build a much stronger presence here in the US in particular and take a more global approach. Traditionally the GSK Vaccines business has been quite Belgium focussed so we will now have more sites here in the US, also in Italy and Germany and so forth.

So again, a big market and there's no reason why this business can't grow mid single digits on a sustainable, long-term basis. It's about 15%, £4 billion or so of our overall business.

Leadership in 3 core businesses

Moving into Pharma, the ViiV business, the HIV business is about £1.5 billion today and we are in the number two position to Gilead. I am really very pleased how this business is going.

ViiV

We have been in HIV, we have a long, proud history through Glaxo and Wellcome for over 20 years but we are really regaining our momentum on the back of the dolutegravir launches in the single agent through *Tivicay* and the combination with the new backbone with *Triumeq*.

It's still relatively early days but to show you some US prescription data. *Tivicay* now has been on the market about 70 weeks, so just over a year here in the US and it looks pretty much the best in class with an HIV launch. *Triumeq* is around about 20 weeks; we launched in Q3 in the US and again, going extremely well, pretty much best in class as well and the two together somewhere just over 8,000 TRxs here in the US at this point so we are pretty pleased with that. A lot of momentum and obviously maintaining and building on that momentum as we go through 2015 is pretty critical to us.

ViiV

It's not just the US. We have now launched *Tivicay* in most of the major HIV markets, some of them albeit very recently and everywhere where we have had reimbursement and gained reimbursement we have had a pretty strong or very strong performance.

Japan where we co-promote with our partner and shareholder Shionogi is probably the stand-out performance, but you can see *Tivicay* doing great in Germany, Canada, Australia and obviously we want to replicate that in every market as we launch and get reimbursement.

It will be important clearly as we roll out *Triumeq* later in the year across Europe and across the international markets again to repeat the great success of *Tivicay*.

ViiV

Very broadly we see dolutegravir very much as a franchise rather than as a product or a single product. This is a slide we have had for a number of years in ViiV which really sets out the franchise approach. We started with the aim of establishing dolutegravir as a single agent, as the best third agent, the third agent of choice. We invested very heavily in a very comprehensive Phase III registration package in both naïve and treatment-experienced patients in the SINGLE study and the SPRING studies and so forth. We demonstrated very strong results.

We have now moved really half way up this curve with the launch of *Triumeq*, so the combination of *Tivicay* plus abacavir and lamivudine building on the positioning of *Tivicay*, dolutegravir as the best third agent.

We continue to invest very heavily behind Phase IIIb/IV programmes to really find out more about the potential of dolutegravir in different patient populations, so for example in women, TB co-infected and in certain types of switch patients and we will get more data on this later this year and into next year building up the patient experience and the data bank.

We continue to pursue different combination types with dolutegravir, so we have announced the potential and we will probably move into Phase III this year, the combination of dolutegravir and rilpivirine as a long-term maintenance therapy of nuke-sparing and there are potentially other dolutegravir combinations.

So as you can see, quite a clear franchise and we have further integrase inhibitors, or one long-acting integrase inhibitor in Phase II behind this. So ViiV very much has momentum and we consider this as an important growth driver for GSK going forward and in the Q3 results we announced also potential IPO of a minority stake in ViiV probably in about a year's time. We are going to spend this year building the story, preparing ourselves, preparing the company and sometime in '16 the potential for attracting additional investors and shareholders into this business.

That's about half the pro-forma GSK business, so about £12.5 billion of business all in what we think are pretty sustainable growth stories.

Leadership in 3 core businesses

Our challenge has really been the Respiratory business. Clearly GSK has a very long, very proud history and a very strong position in this £30 billion market but it's a business that is pretty much in transition right now.

Advair, our biggest product is really ex-growth. It faced a number of pricing and formulary challenges as access became more difficult and we had to discount more, particularly here in the US and we expect the trends in *Advair* broadly to continue this year, so we declined somewhere around 20-25% in the US, mid single digits overall. *Advair* is likely to be an ongoing drag through 2015.

Continued market leadership in Respiratory

What is important in Respiratory is clearly we regain growth by building momentum with the rest of what is quite a broad portfolio of a number of products. We have obviously launched *Breo Ellipta* and *Anoro Ellipta* in the US and *Anoro* increasingly around the world.

This year we go into '15 with increased coverage. For Medicare Part D we are about 76% for *Breo*, about 65% for *Anoro* so it takes time in the US now to build that coverage but we are in a much better position. So clearly one of our big challenges for the first part of this year and through '15 is to convert that greater access into real strengths, into real business and build the momentum behind these brands.

We have just launched a single agent LAMA which is *Incruse* and also our single agent new ICS which is *Arnuity*, so that is being rolled out.

We have a number of important milestones with the Respiratory business this year, so in chronological order in Q2 we expect a decision for *Breo* for asthma here in the US, so that could be significant.

I think most importantly somewhere around the middle of the year we should get the SUMMIT data readout. SUMMIT is a 16,000-patient study looking at all-cause mortality in COPD, so clearly if that is positive that has the potential to be an important additional differentiator for *Breo* in COPD here in the US and will be the first product to really have a mortality claim in COPD.

Then later in the year we expect a regulatory decision on our monoclonal IL-5 mepolizumab for severe asthma. We are pretty excited about this. We have good exacerbation data, some FEV-1 data. It will be a subcut which we think is important. We think that is a whole new market and patient segment for us. We have typically not been in the severe asthma injectable end, so that's a new piece of business and we think that product should have lots of potential and we have also moved it into Phase III for COPD.

So quite a lot of moving parts in Respiratory. It's really the year where we have to make some significant progress, shifting the business which has been reliant on *Advair* and *Seretide* for many years into the much broader portfolio, but as I say, it's a big market. We have very strong capabilities in Regulatory, very strong capabilities in Manufacturing, tremendous device technology. All these new products will be in the *Elliпта* device which we have had very good patient and physician feedback from, so there is a lot to play for in Respiratory.

Emerging Markets

I should also say, as I said at the beginning, GSK is a global business. We take the view there are seven billion people on the planet, all of whom represent a demand opportunity and 40% of our business now is outside the US and Europe. We sell a billion doses of vaccines a year, a very high proportion of those are outside the US and Europe and it's really what underpins all of our businesses; Vaccines, Consumer and Pharma.

We are trying to reach as many people and as many patients as we possibly can and Emerging Markets and Japan and so forth will remain very important to the strategy of GSK.

Delivering more products of value

I am not going to go into a lot of detail in R&D right now, but just to give you a flavour we have had, as I said at the beginning, ten major approvals in 2013 and 2014. That's more than our fair share. It reflects the momentum and the output and the very successful period for GSK in R&D across Oncology, across Respiratory, across HIV, across Vaccines and in addition to that we had a number of important milestones last year, so a number of Phase III starts; mepolizumab in COPD, losmapimod which is a P30 ACE inhibitor for acute coronary syndrome which reduces inflammation and is a pretty interesting asset we think and our closed triple, so the combination of a LAMA, LABA and ICS for COPD.

I should also point out the very positive herpes zoster data we had just before Christmas for our candida vaccine for zoster, for shingles which showed a 97% reduction in a very large study of patients, of people over 50 years of age in the reduction of the risk for shingles and that's a pretty significant outcome and we are extremely pleased with it. We think that significantly enhances the potential of that vaccine.

We have other studies going on but that was the first read-out and I think it is a big positive.

Delivering more products of value

In terms of this year there are a number of important milestones. Very soon now we expect the Combi-D read-out of BRAF and MEK in metastatic melanoma.

I have talked about *Breo*, asthma and *Breo* SUMMIT and also the severe asthma decision on mepolizumab but we have data coming on sirukumab and a number of Phase II, Phase III assets. I highlighted losmapimod but I think if I had to pick a couple of others out, I would focus you on '863 which is the PHi for anaemia and renal-related conditions and potentially a number of other conditions. Quite risky, but a pretty exciting potential first in class programme.

And cabotegravir in HIV, this is probably going to be a once-monthly injectable subcut so very attractive to patients that have adherence problems. It also has the potential for use not just in treatment but in prevention of certain types of patient groups as well and really extends our integrase inhibitor franchise.

We have a pretty full Phase I, Phase II programme. We don't say very much about this, I know other companies do. I think as the year goes on we will begin to say a little bit more but clearly we need data to flow through and act as a catalyst to that, but we feel pretty good about where our R&D is right now. As I say, a lot of momentum with ten approvals and a lot more to come and we will talk more about that at the right opportunity as the year progresses.

Business highlights

For this year as we move into 2015 we really have three key challenges. First and foremost, complete the Novartis transaction and really drive the value out of having a world-leading Consumer business, leadership position in Vaccines and the reshaping of our Pharma business.

It's important we continue to build and grow the momentum in our new launches, particularly in HIV, particularly in Respiratory and thirdly, as I have just said, we want to progress our pipeline and produce more data, hit our milestones and we will update you on that during the course of the year.

Returns to shareholders

We take returns and dividends to shareholders extremely seriously. We have returned in the last six years since Sir Andrew Witty has been CEO about £34 billion. I think that's probably one of the highest payout ratios. It's pretty much most of what we've earned and we have committed this year to retaining the dividend at 80p which is about £3.85 billion and also we will return to shareholders once the Novartis transaction is completed £4 billion, so we have committed effectively to a £7.8 billion return. Bear in mind our market cap is about £67 billion.

Values at the heart of GSK

Shareholders are very important but we have other stakeholders as well and I am very pleased that one of the key events in 2014 after a 30-year development programme and some of the team were consistent through all of that, we have filed the world's first ever malaria vaccine. Remember that whilst regrettably over 8,000 people have died from Ebola, hundreds of thousands of mainly children die in sub-Saharan Africa each year from malaria and we think we are pretty close now to being able to make a major contribution to diminishing that appalling toll.

If malaria has taken 30 years, Ebola has really been the complete opposite and an incredibly fast development programme using our adenovirus technology that we acquired with the Okairos acquisition and a lot of work over the summer within GSK, within Okairos and within our partners at the NIH, the Wellcome Trust and a tremendous amount of coordination with the WHO and World Governance and so forth, we are now very close to starting a large-scale efficacy study probably in healthcare workers in West Africa. We have some Phase I data from some of the studies and a bit more coming that really gives us the confidence to do that.

It has been a tremendous effort, not least with the manufacturing because none of these processes are really industrialised yet but it is an example I think of exactly what this industry does best. It is an example of the tremendous technical capability, scientific skill that resides within GSK and it is an example of I think the passion and the commitment of the employees of GSK and our partners to really make a difference to the world in which we live and we are very proud of that.

On that, thank you very much.

[Applause]

[End of presentation]