As filed with the Securities and Exchange Commission on March 15, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-15170

GlaxoSmithKline plc
(Exact name of Registrant as specified in its charter)

England
(Jurisdiction of incorporation or organization)

980 Great West Road, Brentford, Middlesex TW8 9GS England
(Address of principal executive offices)

Victoria Whyte
Company Secretary
GlaxoSmithKline plc
980 Great West Road
Brentford, TW8 9GS
England
+44 20 8047 5000
company.secretary@gsk.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered

American Depositary Shares, each representing 2 Ordinary Shares, Par value 25 pence	**New York Stock Exchange**
3.125% Notes due 2021	**New York Stock Exchange**
Floating Rate Notes due 2021	**New York Stock Exchange**
2.850% Notes due 2022	**New York Stock Exchange**
2.800% Notes due 2023	**New York Stock Exchange**
3.375% Notes due 2023	**New York Stock Exchange**
3.625% Notes due 2025	**New York Stock Exchange**
3.875% Notes due 2028	**New York Stock Exchange**
5.375% Notes due 2034	**London Stock Exchange**
6.375% Notes due 2038	**New York Stock Exchange**
4.200% Notes due 2043	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of Par value 25 pence each	**5,379,067,624**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13 (a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐	International Financial Reporting Standards as issued by the International Accounting Standards Board ☒	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

TABLE OF CONTENTS

Pursuant to Rule 12b-23(a) of the Securities Exchange Act of 1934, as amended, the information for GlaxoSmithKline plc's Form 20- F for the year ended December 31, 2018 as set out below is being incorporated by reference from the "GSK Annual Report 2018" included as exhibit 15.3 to this Form 20-F dated and submitted on March 15, 2019 (the "GSK Annual Report 2018").

All references in this Form 20-F to "GlaxoSmithKline," the "Group," "GSK," "we" or "our" mean GlaxoSmithKline plc and its subsidiaries; the "company" means GlaxoSmithKline plc.

References below to major headings include all information under such major headings, including subheadings, unless such reference is a reference to a subheading, in which case such reference includes only the information contained under such subheading.

In addition to the information set out below, the information set forth under the headings "Cautionary statement" on the inside back cover, "Directors' Report" on page 94, "Directors' statement of responsibilities" on pages 126 to 127, "Share capital and control" on pages 251 to 252, "Financial calendar", "Results announcements" and "Financial reports" on page 253, "Annual General Meeting 2019" on page 254, "Registrar" on page 256, "ADS Depositary", "Glaxo Wellcome and SmithKline Beecham Corporate PEPs", "Donating shares to Save the Children", "Contacts" and "Share scam alert" page 257, "Section 13(r) of the US Securities Exchange Act" on page 259 and "Glossary of terms" on page 271 in each case of the GSK Annual Report 2018 is incorporated by reference.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from certain portions of the GSK Annual Report 2018 incorporated by reference herein, namely the "Directors' Report" (for which see page 94 thereof), the "Strategic Report" (pages 1 to 64 thereof, portions of which are incorporated by reference as described below) and the "Remuneration Report" (pages 95 to 124 portions of which are incorporated by reference as described below). These reports have been drawn up and presented in accordance with, and in reliance upon, English company law. Under English law, the Directors would be liable to the company, but not to any third party, if these sections of the GSK Annual Report 2018 contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Portions of the GSK Annual Report 2018 incorporated by reference herein contain references to our website. Information on our website or any other website referenced in the GSK Annual Report 2018 is not incorporated into this Form 20-F and should not be considered to be part of this Form 20-F. We have included any website as an inactive textual reference only.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A Selected financial data

The information set forth under the heading:

- "Five year record" on pages 229 to 231 (except the heading and the information under the heading "Financial results – Adjusted" on page 230); and
- "Dividends" on page 253

of the GSK Annual Report 2018 is incorporated herein by reference.

3.B Capitalization and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D **Risk Factors**

Principal risks and uncertainties

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. The risks below are those that we believe could cause our actual results to differ materially from expected and historical results. During 2018 we have evolved the cycle of management of these risks which helps us Identify, manage and report on our most important risks in a proportionate and consistent way.

We must adapt to and comply with a broad range of laws and regulations which apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccine and Consumer Healthcare products. These affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully on a continuous basis.

Also, during 2018 we have improved consistency of risk management across the organisation through evolution of our enterprise risk management and reporting cycle.

As rules and regulations change, and governmental interpretation evolves, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable law and regulations could materially and adversely affect our financial results.

Similarly, our global business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties involved in our significant unresolved disputes and potential litigation is set out in Note 45, ‘Legal proceedings,’ on pages 215 to 218 of the GSK Annual Report 2018.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report human safety information (HSI), including adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The risk impact has the potential to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/ benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/ analyses, as appropriate. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace. Questions about the safety of our products may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third parties that may analyse publicly available clinical trial results. Constant vigilance and flexibility is required in order to respond to a varied regulatory environment which continues to evolve and diverge globally.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who take our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group’s financial results.

Product quality

Risk definition

Failure to comply with current Good Manufacturing Practices (cGMP) or inadequate controls and governance of quality in the supply chain covering supplier standards, manufacturing and distribution of products.

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety resulting in product launch delays, supply interruptions and product recalls. This would have the potential to do damage to our reputation, as well as result in other regulatory, legal and financial consequences.

Context

Patients, consumers and HCPs trust the quality of our products. Product quality may be influenced by many factors including product and process understanding, consistency of manufacturing components, compliance with GMP, accuracy of labelling, reliability of the external supply chain, and the embodiment of an overarching quality culture. The internal and external environment continues to evolve as new products and new legislation are introduced. Critically, we are addressing the impact of Brexit on our supply chain management and quality oversight between the UK and the EU and are developing and deploying appropriate contingency plans to avoid interruption of supply to patients.

Financial controls and reporting

Risk definition

Failure to comply with current tax laws or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. Changes in tax laws or in their application with respect to matters such as transfer pricing, foreign dividends, controlled companies, R&D tax credits, taxation of intellectual property or a restriction in tax relief allowed on the interest on debt funding, could impact our effective tax rate. Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults.

Any changes in the substance or application of the governing tax laws, failure to comply with such tax laws or significant losses due to treasury activities could materially and adversely affect our financial results.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this may lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, on a daily basis. These transactions involve market volatility and counterparty risk.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and takes into account regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate. In addition, the worldwide nature of our operations means that our intellectual property, R&D and manufacturing operations are centered in a number of key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end markets, can be complex and result in conflicting claims from tax authorities as to the profits to be taxed in individual countries. Tax legislation itself is also complex and differs across the countries in which we operate. As such, tax risk can also arise due to differences in the interpretation of such legislation. The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities.

We expect there to be continued focus on tax reform in 2019 and future years driven by initiatives of the Organisation for Economic Cooperation & Development to address the taxation of the digital economy and European Commission initiatives including the use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principles and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation and relationship with key stakeholders.

Anti-bribery and corruption (ABAC)

Risk definition

Failure of GSK employees, consultants and third parties to comply with our Anti-bribery & corruption (ABAC) principles and standards, as well as with all applicable legislation.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action, and civil and criminal liability and may compromise the Group's ability to supply its products under certain government contracts. In addition to legal and financial penalties, a failure to prevent bribery through complying with ABAC legislation and regulations could have substantial implications for the reputation of the company, the credibility of senior leaders, and an erosion of investor confidence in our governance and risk management.

Context

We are exposed to bribery and corruption risk through our global business operations. In some markets, the government structure and the rule of law are less developed, and this has a bearing on our bribery and corruption risk exposure. In addition to the global nature of our business, the healthcare sector by its very nature maintains relationships with government bodies, is highly competitive and subject to regulation. This increases the instances where we are exposed to bribery and corruption risk.

The Group has been subject to a number of ABAC inquiries. We reached a resolution with the US authorities in 2016 regarding their ABAC inquiry, following which we were subject to a self-monitoring arrangement. The self-monitorship concluded in September 2018.

Government investigations regarding our China and other business operations are ongoing. These investigations are discussed further in Note 45, ‘Legal proceedings’ on pages 215 to 218 of the GSK Annual Report 2018.

Commercial practices

Risk definition

Failure to engage in commercial activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements relating to marketing and communications about our medicines and associated therapeutic areas; appropriate interactions with healthcare professionals (HCPs) and patients; and legitimate and transparent transfer of value.

Risk impact

Failure to manage risks related to commercial practices could materially and adversely affect our ability to grow a diversified global business and deliver more products of value for patients and consumers. Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs which could result in government sanctions, and criminal and/or financial penalties. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the risk/benefit profile of our products and possibly suboptimal treatment of patients and consumers.

Any practices that are found to be misaligned with our values could also result in reputational harm and dilute trust established with external stakeholders.

Context

We operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products that reflect insights which help ensure those products address the needs of patients/consumers, HCPs, and payers are critical to achieve our strategic objectives.

As other pharmaceutical, vaccine and consumer companies, we face downward price pressure in major markets, declining emerging market growth, and negative foreign exchange impact.

Developing new Pharmaceutical, Vaccine and Consumer Healthcare products is a costly, lengthy and an uncertain process. A product candidate may fail at any stage, including after significant economic and human resources have been invested. Our competitors' products or pricing strategies, or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our mission to improve the quality of human life by enabling people to do more, feel better, and live longer. To accomplish this mission, we engage the healthcare community in various ways to provide important information about our medicines. Promotion of approved products seeks to ensure that HCPs globally have access to information they need, that patients and consumers have access to the information and products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal and ethical manner.

Privacy

Risk definition

The failure to collect, secure, use and destroy personal information (PI) in accordance with applicable data privacy laws.

Risk impact

Non-compliance can lead to harm to individuals (e.g. financial loss, distress, prejudice) and GSK (e.g. fines, management time, operational inefficiency, out of pocket costs, and reputational damage). It can also damage trust between GSK and individuals, communities, business partners and government authorities.

The General Data Protection Regulation (GDPR) increased the enforcement powers of EU supervisory authorities, including by allowing them to impose fines of up to 4% of global revenue, and to require the suspension of processing PI in certain circumstances. GDPR also gives individuals the right to bring collective legal actions against GSK for failure to comply with data privacy laws.

Context

Data Privacy laws are diverse, with limited harmonisation, despite Europe's adoption of GDPR. In many countries in which GSK operates, local data privacy laws govern how GSK can collect and use PI. It is challenging for multi-nationals to standardise their approach to compliance with data privacy laws due to the high-level of local variation. Governments are enforcing compliance with data privacy laws more rigorously. There is an increasing focus on the ethical use of PI, over and above compliance with data privacy laws, and individuals are increasingly aware of their rights under data privacy laws.

Research practices

Risk definition

Failure to adequately conduct ethical and sound preclinical and clinical research. In addition, failure to engage in scientific activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements, and failure to secure adequate patent protection for GSK's products.

Risk impact

The impacts of the risk include harm to human subjects, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), loss of revenue due to inadequate patent protection or inability to supply GSK products, and regulatory action such as fines, penalties, or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results and cause loss of trust from our customers and patients.

Context

Research relating to animals can raise ethical concerns. While we attempt to address this proactively, animal studies remain a vital part of our research. In many cases, they are the only method that can be used to investigate the effects of a potential new medicine in a living body before it is studied in humans. Animal research can provide critical information about the causes of diseases and how they develop. Nonetheless, we are continually seeking ways in which we can minimise our use of animals in research, whilst complying with regulatory requirements.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products.

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting, storage and retrieval. Our research data is governed by legislation and regulatory requirements. Research data and supporting documents are core components at various stages of pipeline progression decision-making and form the content of regulatory submissions, publications and patent filings. Poor data integrity can compromise our research efforts and negatively impact company reputation.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Continually changing and increasingly stringent submission requirements continue to increase the complexity of worldwide product registration.

Scientific engagement (SE), defined as the interaction and exchange of information between GSK and external communities to advance scientific and medical understanding, including the appropriate development and use of our products, is an essential part of scientific discourse. Such non-promotional engagement with external stakeholder groups is vital to GSK's mission and necessary for scientific and medical advance. SE activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments to HCPs have, or are perceived to have, promotional intent.

A wide variety of biological materials are used by GSK in discovery, research and development phases. Through the Convention on Biological Diversity (CBD) and the Nagoya Protocol, the international community has established a global framework regulating access to, and use of, genetic resources of non-human origin in Research and Development (R&D). We support the principles of access and benefit sharing to genetic resources as outlined in the CBD and the Nagoya Protocol, recognising the importance of appropriate, effective and proportionate implementation measures at national and regional levels.

Patent rights play an important role in providing GSK with a competitive advantage in the market. Any loss of patent protection in a market for GSK's products developed through our R&D, including reducing the availability or scope of patent rights, could materially and adversely affect our financial results in that market. Absence of adequate patent or data exclusivity protection, which could lead to, for example, competition from manufacturers of generic pharmaceutical products, could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely impact our financial results. Following expiration of certain intellectual property rights, a generic manufacturer may lawfully produce a generic version of a product. Introduction of generic products typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

Third party oversight risk (TPO)

Risk definition

Failure to maintain adequate governance and oversight over third party relationships and failure of third parties to meet their contractual, regulatory, confidentiality or other obligations.

Risk impact

Failure to adequately manage third party relationships could result in business disruption and exposure to risks ranging from sub-optimal contractual terms and conditions, to severe business and legal sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

Third parties are critical to our business delivery and are an integral part of the solution to meeting our business objectives. We rely on third parties, including suppliers, advisors, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and for supporting other important business processes.

These business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business activities. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties across a diverse geographical spread.

Environment, health & safety and sustainability (EHS&S)

Risk definition

Failure to manage environment, health & safety and sustainability (EHS&S) risks in line with our objectives and policies and with relevant laws and regulations.

Risk impact

Failure to manage EHS&S risks could lead to significant harm to people, the environment and communities in which we operate, fines, failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation, which could materially and adversely affect our financial results.

Context

We are subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment, and the communities in which we operate, as well as potential obligations to remediate contaminated sites. We have also been identified as a potentially responsible party under the US Comprehensive Environmental Response Compensation and Liability Act at a number of sites for remediation costs relating to our use or ownership of such sites in the US. Failure to manage these environmental risks properly could result in litigation, regulatory action and additional remedial costs that may materially and adversely affect our financial results. See Note 45 to the financial statements, 'Legal proceedings', for a discussion of the environmental related proceedings in which we are involved. We routinely accrue amounts related to our liabilities for such matters.

Information security

Risk definition

The risk to GSK business activities if information becomes disclosed to those not authorised to see it, or if information or systems fail to be available or are corrupted, typically because of cybersecurity threats, although accident or malicious insider-action may be contributory causes.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage and could materially affect our ongoing business operations, such as scientific research, clinical trials and manufacturing and supply chain activities.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, intellectual property, manufacturing systems and trade secrets. There is the potential that our computer systems or information may be exposed to misuse or unauthorised disclosure.

We believe that the cyber security incidents that we have experienced to date have not resulted in significant disruptions to our operations and have not had a significant adverse effect on our results of operations, or on third parties. However, as the threats evolve we cannot provide assurance that our significant efforts in protecting and monitoring our systems and information will always be successful in preventing compromise or disruption in future. They increasingly involve highly-resourced threat actors such as nation-states and organised criminals. Combined with the size and complexity of our IT systems and those of our supply chain partners (including outsourced operations), this means that our systems and information have been, and are expected to continue to be, the subject of cyber-attacks of various types.

Supply continuity

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to respond effectively to a crisis incident in a timely manner to recover and sustain critical operations, including key supply chains.

Risk impact

We recognise that failure to supply our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action and financial penalties that could adversely affect the Group's financial results. The Group's international operations, and those of its partners, expose our workforce, facilities, operations and information technology to potential disruption from natural events (e.g. storm, earthquake), man-made events (e.g. civil unrest, terrorism), and global emergencies (e.g. Ebola outbreak, flu pandemic). It is important that we have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively provide our license to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

We rely on materials and services provided by third party suppliers to make our products, including active pharmaceutical ingredients (API), antigens, intermediates, commodities, and components for the manufacture and packaging of Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third party services procured, such as services provided by contract manufacturing and clinical research organisations to support development of key products, are important to ensure continuous operation of our business.

Although we undertake risk mitigation we recognise that certain events could nevertheless still result in delays or service interruptions. We use effective crisis management and business continuity planning to provide for the health and safety of our people and to minimise impact to us, by maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Risks associated with the Consumer Healthcare Joint Venture with Pfizer

Completion of the transaction with Pfizer is subject to the satisfaction (or waiver, where applicable) of a number of conditions which, if not satisfied, may result in the transaction not proceeding and, in certain circumstances, could also result in the payment by GSK of a break fee

Completion of the transaction between GSK and Pfizer to form the Consumer Healthcare Joint Venture (the "Transaction") is subject to the satisfaction (or waiver, where applicable) of a number of conditions on or before September 30, 2019 (which date may be extended by either party to December 31, 2019 or March 31, 2020 in the case of the conditions relating to the receipt of antitrust clearances), including:

- the approval of the resolution in respect of the Transaction by GSK's shareholders at the General Meeting of shareholders;
- the receipt of various antitrust clearances in respect of the Transaction, including merger clearances by the EU Commission, expiry of any applicable waiting periods under the HSR Act and receipt of various other antitrust approvals;
- there being no governmental orders restraining or otherwise prohibiting the Transaction;
- the other party's representations and warranties generally being true and correct as at completion of the Transaction, except to the extent that any failure to be true and correct (individually or in the aggregate) would not have a material adverse effect in relation to that party's respective contributed business; and
- each of GSK and Pfizer having performed and complied in all material respects with its respective pre-closing covenants.

There is no guarantee that these (or any other) conditions will be satisfied (or waived, if applicable). If any of the conditions are not satisfied (or waived, if applicable), the Transaction may not complete. If the Transaction fails to complete, the anticipated benefits of the Transaction will not be achieved and GSK would nonetheless have incurred costs in connection with the Transaction. In certain circumstances where the condition relating to the approval by GSK's shareholders of the shareholders' resolution in respect of the Transaction is not satisfied, GSK may also be required to pay a break fee of $900 million to Pfizer by way of compensation.

The terms on which antitrust and regulatory approvals are provided may jeopardize or delay the Transaction, result in additional expenditure and/or reduce the anticipated benefits of the Transaction

As a condition to their clearance of the Transaction, antitrust and regulatory authorities may require the modification of the terms of the Transaction or divestitures of parts of the GSK consumer healthcare business and/or the Pfizer consumer healthcare business or may otherwise place restrictions on the conduct of the business of the GSK Group following the acquisition of the Pfizer consumer healthcare business (the "Enlarged Group"). In addition, GSK may give undertakings,

which may include proposing divestments or excluding certain assets from the Transaction, in order to obtain such clearances. Any such modifications, divestments or restrictions could jeopardise or delay completion of the Transaction, impose significant additional costs on the Enlarged Group and/or may reduce the anticipated benefits of the Transaction, any of which could materially and adversely affect the financial results of the Enlarged Group.

The outcome of the various antitrust and regulatory clearance applications is not yet known and is not within the control of GSK or Pfizer. As a result, there can be no certainty or assurance as to the outcome of such applications or that any such applications will be successful. In the event that antitrust and regulatory approvals are not received in each jurisdiction in which they are required, the Transaction may not be consummated either in that specific jurisdiction or, in certain circumstances, at all.

In addition, GSK and Pfizer are both obliged to take all actions and do all things necessary under applicable antitrust laws to consummate the Transaction. Without limiting the generality of this obligation, there is no limit on the number or value of any divestitures, undertakings or commitments that GSK may be required under the Stock and Asset Purchase Agreement with Pfizer to give in order to ensure that all antitrust and regulatory approvals required in connection with the Transaction are obtained. Any such divestitures, undertakings or commitments could reduce the anticipated benefits of the Transaction, including the realization of anticipated synergies, and could materially and adversely affect the results and operations of the Enlarged Group.

The Enlarged Group may experience difficulties in integrating the Pfizer consumer healthcare business with the GSK consumer healthcare business

The future prospects of the Enlarged Group will, in part, be dependent upon the Enlarged Group's ability to integrate the Pfizer consumer healthcare business with the existing GSK consumer healthcare business, and the ability of the Enlarged Group to realize the anticipated benefits and cost savings from combining the respective businesses. Some of the potential challenges relating to integration may not become known until after completion of the Transaction.

The key potential difficulties in integrating the businesses include the following:

- the complexity of transferring employees and assets (including intellectual property, third party contracts, real estate and marketing authorizations and other licenses/permits) and consolidating operations, infrastructure, procedures, systems, facilities, services and policies across many different countries, jurisdictions, regulatory systems and business cultures;
- maintaining employee engagement and retaining and incentivizing key employees;
- the diversion of management time and resources away from the day-to-day operations of the Group;
- ensuring readiness upon completion of the Transaction and limiting disruption to the ongoing businesses of the Enlarged Group, including minimizing the risk of supply chain interruptions and ensuring that necessary transitional arrangements between Pfizer and the Enlarged Group function successfully;
- replacing and/or integrating IT systems used by the Pfizer consumer healthcare business with those used by the GSK consumer healthcare business and transferring relevant data from Pfizer IT systems to GSK IT systems;
- technical transfer of manufacturing and other processes and services, upon expiry of transitional manufacturing and services arrangements and/or in-sourcing of third party supply contracts; and
- maintaining business continuity throughout integration.

Difficulties experienced in the integration process could potentially lead to the interruption of operations of the businesses, or a loss of customers, suppliers or key personnel, which could have a material adverse effect on the business, results of operations or financial condition of the Enlarged Group.

Transaction-related costs may exceed GSK's expectations

GSK expects to incur costs in relation to the Transaction, including integration and post-completion costs in order to implement the Transaction successfully and deliver anticipated costs savings. The actual costs may exceed those estimated and there may be additional and unforeseen expenses incurred in connection with the Transaction. In addition, GSK has incurred and will incur legal, accounting and transaction fees and other costs relating to the Transaction, a material part of which are payable whether or not the Transaction completes. Such costs could materially and adversely affect the realization of synergies and the results of operations of the Group or the Enlarged Group.

The Enlarged Group may fail to realize, or it may take longer than expected to realize, the anticipated benefits of the Transaction

The expected benefits of the Transaction, including any identified synergies, may not be achieved, or may take longer than expected to realize, and other assumptions upon which the terms of the Transaction have been determined may prove to be incorrect. To the extent that GSK incurs higher integration costs, achieves lower margin benefits or fewer cost savings than expected, the results of operations and financial condition of the Enlarged Group may suffer, which may materially and adversely affect GSK's share price.

The Stock and Asset Purchase Agreement with Pfizer contains certain representations, warranties and indemnities, which could require GSK or GlaxoSmithKline Consumer Healthcare Holdings Limited ("GSK Consumer Healthcare") to make payments to Pfizer

The Stock and Asset Purchase Agreement with Pfizer contains certain representations, warranties and indemnities given by GSK and GSK Consumer Healthcare in favor of Pfizer. Any payment required under those representations, warranties and indemnities may have a material and adverse effect on the cash flow and financial condition of the Enlarged Group.

The consumer healthcare joint venture with Pfizer and the Enlarged Group may not have full recourse to Pfizer under the Stock and Asset Purchase Agreement

Under the terms of the Stock and Asset Purchase Agreement, Pfizer provides GSK Consumer Healthcare and GSK with certain representations, warranties and indemnities. However, these representations, warranties and indemnities may not cover all potential liabilities associated with the Pfizer consumer healthcare business, and they are in certain circumstances limited in their scope, duration and/or the amount which may be claimed under them. Accordingly, GSK Consumer Healthcare and GSK may not have recourse against Pfizer, or may not recover in full from Pfizer, for losses which it may suffer in respect of a breach of those warranties, or in respect of the subject matter of any of the indemnities, or otherwise in respect of the consumer healthcare joint venture. This could materially and adversely affect the operations and financial results of the consumer healthcare joint venture and, following completion of the Transaction, the Enlarged Group.

Events or developments may occur which have an adverse effect on the businesses that are the subject of the Transaction but do not entitle GSK to terminate the Transaction

Pursuant to the Stock and Asset Purchase Agreement, GSK will only be entitled to terminate the Transaction: (i) if agreed between the parties; (ii) if completion of the Transaction has not occurred by September 30, 2019 (which date may be extended by either party to December 31, 2019 or March 31, 2020 if the Transaction has not completed as a result of a failure to satisfy (or waive, as applicable) any of the conditions relating to the receipt of antitrust clearances); (iii) if Pfizer fails to perform its obligations at completion of the Transaction; (iv) if any breach of Pfizer's representations and warranties as at completion of the Transaction constitutes a material adverse effect in relation to the Pfizer consumer healthcare business; (v) Pfizer has materially breached its covenants and agreements to be performed or complied with prior to completion of the Transaction; (vi) there being a governmental order permanently prohibiting the Transaction; or (vii) if GSK's shareholders do not approve the shareholders' resolution in relation to the Transaction at the General Meeting of shareholders.

During the period prior to completion of the Transaction, events or developments may occur which have an adverse effect on the Pfizer consumer healthcare business but do not enable GSK to terminate the Transaction under the terms of the Stock and Asset Purchase Agreement. GSK would then be required to proceed to completion of the Transaction notwithstanding the adverse events or developments, and this could have a material and adverse effect on the business, financial condition and results of GSK.

Failure to obtain third party consents from contractual counterparties of the Pfizer consumer healthcare business may reduce the anticipated benefits of the Transaction

The Pfizer group is party to a number of contracts relating to the Pfizer consumer healthcare business with third parties in respect of which it is intended that either the relevant contracting entity within the Pfizer group will be transferred to the consumer healthcare joint venture or the contract will be assigned to the consumer healthcare joint venture. Certain of those contracts may provide the counterparty with a right to terminate as a result of (i) the change of control of, or assignment by, the Pfizer contracting party; and/or (ii) breach of applicable non-compete restrictions as a result of the contract being held within the Enlarged Group. If such contracts are terminated or the counterparties do not grant consents/waivers on favourable terms, this may reduce the anticipated benefits of the Transaction and could have a material adverse effect on the Enlarged Group's business, financial condition and/or results of operations.

Risks of executing the Transaction could cause the market price of GSK shares to decline

The market price of GSK's shares may decline as a result of the Transaction, among other reasons, if:

- the integration of the Pfizer consumer healthcare business into the Group is delayed or unsuccessful;

- GSK does not achieve the anticipated benefits of the Transaction as rapidly, or to the extent anticipated by GSK's management, analysts or investors, or at all;
- the effect of the Transaction on GSK's financial results is not consistent with the expectations of analysts or investors; or
- GSK's shareholders sell a significant number of shares following completion of the Transaction.

The successful completion of a separation of the consumer healthcare joint venture initiated by GSK may be dependent on a number of factors that are outside GSK's control, including favorable conditions in public equity markets and public or private debt markets and changes in applicable law and regulation

GSK's ability to exit the consumer healthcare joint venture through a listing and admission to trading of shares of GSK Consumer Healthcare on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange (the "Separation") initiated by GSK may be dependent on a number of factors such as (i) the condition of public or private debt markets being such that the consumer healthcare joint venture is able to raise, on terms acceptable to the Group, sufficient levels of debt finance to undertake a pre-separation recapitalization and distribution of the proceeds to GSK and Pfizer and (ii) the condition of public equity markets being such as to enable a successful sale or demerger of shares in the consumer healthcare joint venture. Conditions in public equity markets and public or private debt markets are not within GSK's control and disruption in those markets may impede GSK's ability to exit the consumer healthcare joint venture at the desired time or in the desired way.

In addition, GSK's ability to implement a successful Separation initiated by GSK, including by way of a demerger of its equity stake and a listing of the consumer healthcare joint venture on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange, may be impeded or prevented by any change of law, regulation or the rules of any authority to which GSK is subject (including, for example, any rules or guidance issued by the U.K. Financial Conduct Authority or H. M. Revenue & Customs) or any change to the way in which applicable law and regulation is interpreted and applied by the relevant authorities. Such changes are outside the control of GSK and there can be no guarantee that GSK's preferred strategy in relation to the Separation will be capable of being implemented.

If GSK is not able to execute a successful Separation, including by undertaking a pre-separation recapitalization of the consumer healthcare joint venture and completing a demerger of its equity stake, at a time and on terms acceptable to it, the Group may not be able to implement its preferred strategy, including in relation to its pharmaceuticals and vaccines business, the reduction of leverage associated with those businesses, and the support for those businesses' ongoing investment requirements (especially the Group's R&D pipeline). This may have a material and adverse effect on the business, financial condition, results and operations of the Enlarged Group.

The expected benefits of a successful completion of a Separation initiated by GSK of the consumer healthcare joint venture from the Group may not be realized and such a Separation may be detrimental to the consumer healthcare joint venture and/or the Group

Following a successful Separation, there can be no guarantee that the expected benefits of such a Separation will be realized. In particular, if such a Separation does proceed, both the consumer healthcare joint venture and the Group (excluding the consumer healthcare business) will form smaller, less diversified groups. As a result, each separate group may be more exposed to cyclical, sector-specific or other risks than the Group and, following completion of the Transaction, the Enlarged Group are currently. In addition, consistent with their smaller sizes, each separate group may not be able to obtain future debt or equity financing or put in place other contractual arrangements on terms as favorable as the Group and, following completion of the Transaction, the Enlarged Group are currently able to achieve. Were any of these risks to be realized following a Separation, this may have a material and adverse effect on the business, financial condition, results and operations of the consumer healthcare joint venture and/or the Group (excluding the consumer healthcare business).

The completion of a Separation initiated by Pfizer, causing the consumer healthcare joint venture to become a listed, publicly traded company, would reduce GSK's control over the consumer healthcare joint venture

Under the terms of the Shareholders' Agreement between GSK and Pfizer in relation to the consumer healthcare joint venture, in the event that GSK has not exercised its exit rights in respect of the consumer healthcare joint venture within five years following completion of the Transaction, Pfizer will be entitled to initiate a Separation from that point in time. While GSK would not be required to sell or demerge any of its shares in the consumer healthcare joint venture as part of such a Separation initiated by Pfizer and could therefore retain its proportionate equity stake, GSK's rights to appoint directors to the board of directors of the joint venture and other control rights would be reduced to a customary level for a company listed on the same exchange as the primary listing of the consumer

healthcare joint venture, such that GSK would lose overall control of the board of directors of the consumer healthcare joint venture and its control rights under the Shareholders' Agreement would cease to apply. In that event, GSK may not be able to direct the business and operations of the consumer healthcare joint venture in accordance with the strategy and objectives of the Enlarged Group, which could have a material and adverse effect on the business, financial condition and results of the Enlarged Group.

Item 4. Information on the Company

4.A History and development of the company

The information set forth under the heading:

- "About GSK" on the inside back cover;
- "Head Office and Registered Office" on the outside back cover; and
- "Note 38 – Acquisitions and disposals" on pages 191 to 193

of the GSK Annual Report 2018 is incorporated herein by reference.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov. GSK's Internet address is gsk.com.

4.B Business overview

- See Item 3.D "Risk factors" above;

In addition, the information set forth under the headings:

- "GSK at a glance" on page 1;
- "Chairman's statement" on page 2;
- "CEO's statement" on page 3;
- "Our long-term priorities" on page 7;
- "Industry trends" on pages 9 to 10;
- "Stakeholder engagement" on page 11;
- "Our business model" on page 12;
- "Pharmaceuticals" on pages 13 to 17;
- "Vaccines" on pages 18 to 20;
- "Consumer Healthcare" on pages 21 to 23;
- "Trust" on pages 24 to 33 (excluding the heading and the paragraph under the heading "Our approach to reporting" on page 24);
- "Note 6 – Turnover and segment information" on pages 153 to 156;
- "Note 38 – Acquisitions and disposals" on pages 191 to 193;
- "Pharmaceutical products, competition and intellectual property" on pages 238 to 239;
- "Vaccines products, competition and intellectual property" on page 239; and
- "Consumer Healthcare products and competition" on page 240

of the GSK Annual Report 2018 is incorporated herein by reference.

4.C Organizational structure

The information set forth under the heading:

- "Note 44 – Principal Group companies" on page 214; and
- "Group Companies" on pages 260 to 270

of the GSK Annual Report 2018 is incorporated herein by reference.

4.D Property, plant and equipment

The information set forth under the headings:

- “Property, plant and equipment” within “Group financial review” on page 58;

- "Note 6 – Turnover and segment information" on pages 153 to 156; and
- "Note 17 – Property, plant and equipment" on pages 165 to 166

of the GSK Annual Report 2018 is incorporated herein by reference.

Item 4A. **Unresolved Staff Comments**

Not applicable.

Item 5. **Operating and Financial Review and Prospects**

5.A Operating results

The information set forth under the headings:

- "Regulatory environment" on page 10;
- "Our approach to Brexit" within "Risk management" on page 36;
- "Non-controlling interests in ViiV Healthcare" on page 41;
- "Cash generation and conversion" on pages 56 to 57;
- "Financial position and resources" on pages 58 to 62;
- "Treasury policies" on pages 62 to 63; and
- "Critical accounting policies" on pages 63 to 64

of the GSK Annual Report 2018 is incorporated herein by reference.

The following tables reconcile Total results to Adjusted results. References in the GSK Annual Report 2018 to the reconciliations on page 51 of that report should be read to refer to the information in these tables.

Adjusted results reconciliation – 31 December 2018

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Gross profit	20,580	536	69	443	15		21,643
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914
The following adjustments are made in arriving at Adjusted gross profit							
Cost of sales	(10,241)	536	69	443	15		(9,178)
The following adjustments are made in arriving at Adjusted operating profit							
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Other operating income	(1,588)			2	1,864	(278)	—
The following adjustments are made in arriving at Adjusted profit before tax							
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	—
The following adjustments are made in arriving at Adjusted profit after tax							
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)

Adjusted results reconciliation – 31 December 2017

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	US tax reform £m	Adjusted results £m
Gross profit	19,844	546	400	545	80			21,415
Operating profit	4,087	591	688	1,056	1,599	(119)	666	8,568
Profit before taxation	3,525	591	688	1,060	1,599	(205)	666	7,924
Profit after taxation	2,169	457	512	851	980	(456)	1,744	6,257
Earnings per share	31.4p	9.4p	10.5p	17.4p	19.2p	(9.4)p	33.3p	111.8p
Weighted average number of shares (millions)	4,886							4,886
The following adjustments are made in arriving at Adjusted gross profit								
Cost of sales	(10,342)	546	400	545	80			(8,771)
The following adjustments are made in arriving at Adjusted operating profit								
Selling, general and administration	(9,672)			248		83		(9,341)
Research and development	(4,476)	45	288	263		18		(3,862)
Other operating income	(1,965)				1,519	(220)	666	—
The following adjustments are made in arriving at Adjusted profit before tax								
Net finance costs	(669)			4		8		(657)
Profit on disposal of associates	94					(94)		—
The following adjustments are made in arriving at Adjusted profit after tax								
Taxation	(1,356)	(134)	(176)	(209)	(619)	(251)	1,078	(1,667)

Adjusted results reconciliation – 31 December 2016

	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Gross profit	18,599	547	7	297	86	2	19,538
Operating profit	2,598	588	20	970	3.919	(424)	7,671
Profit before taxation	1,939	588	20	974	3,919	(416)	7,024
Profit after taxation	1,062	458	15	757	3,480	(246)	5,526
Earnings per share	18.8p	9.4p	0.3p	15.6p	61.6p	(5.1)p	100.6p
Weighted average number of shares (millions)	4,860						4,860
The following adjustments are made in arriving at Adjusted gross profit							
Cost of sales	(9,290)	547	7	297	86	2	(8,351)
The following adjustments are made in arriving at Adjusted operating profit							
Selling, general and administration	(9,366)			514		55	(8,797)
Research and development	(3,628)	41	13	159	(81)	28	(3,468)
Other operating income	(3,405)				3,914	(509)	—
The following adjustments are made in arriving at Adjusted profit before tax							
Net finance costs	(664)			4		8	(652)
The following adjustments are made in arriving at Adjusted profit after tax							
Taxation	(877)	(130)	(5)	(217)	(439)	170	(1,498)

Financial review 2018

The information set forth in the Group financial review on pages 37 to 64 of the GSK Annual Report 2018 is incorporated herein by reference excluding the following sections:

- "Viability Statement" on pages 39 and 44;
- "Outlook" on page 39";
- "Non-controlling interests in ViiV Healthcare" on page 41;
- "Our approach to tax" on page 43; and
- "Adjusting items" on page 51.

Outlook

In 2019, we expect Adjusted EPS to decline in the range of -5 to -9% at CER. This guidance reflects the expected impact of the Tesaro acquisition and the significant investments we are making behind its products and pipeline. It also reflects the completion of the other recently announced transactions, as well as the approval of a substitutable generic competitor to Advair in the US.

We are not able to give guidance for Total results as we cannot reliably forecast certain material elements of our Total results such as impairments of intangible assets and the future fair value movements on contingent consideration and put options, including those arising from changes in foreign exchange rates, and therefore a reconciliation of the guidance for Adjusted results to equivalent guidance for Total results is not available without unreasonable effort.

Financial review 2017

Group turnover 2017

Group turnover

	2017 £m	2016 £m	Growth £%	Growth CER%
Pharmaceuticals	17,276	16,104	7	3
Vaccines	5,160	4,592	12	6
Consumer Healthcare	7,750	7,193	8	2
Group turnover	30,186	27,889	8	3

Group turnover for the year increased 8% AER, 3% CER to £30,186 million, with growth delivered by all three businesses.

Pharmaceuticals sales were up 7% AER, 3% CER, reflecting the continued strong growth of the new Respiratory and HIV products, partly offset by declines in older Respiratory products, including *Seretide/Advair* and Established Pharmaceuticals, including the impact of recent divestments.

Vaccines sales were up 12% AER, 6% CER, reflecting a strong performance from Meningitis and Influenza vaccines and higher demand for Established Vaccines, as well as the benefit of favourable year-on-year US CDC stockpile movements.

Consumer Healthcare sales grew 8% AER, 2% CER reflecting a strong performance from power brands in the Pain and Oral health categories, partly offset by the impact of continued competitive pressures in the US allergy category and a broader market slowdown in key categories. In addition, reported growth was impacted by the Nigerian beverages business divestment in Q3 2016 and the implementation of the Goods & Service Tax (GST) in India on 1 July 2017.

Group turnover by geographic region

	2017 £m	2016 £m	Growth £%	Growth CER%
US	11,263	10,197	10	6
Europe	7,943	7,476	6	—
International	10,980	10,216	7	3
	30,186	27,889	8	3

The US sales growth of 10% AER, 6% CER was driven by continued strong performances from *Triumeq* and *Tivicay* and growth in the Respiratory portfolio, together with strong performances in the US from Hepatitis and Meningitis vaccines.

Europe sales grew 6% AER, but were flat at CER as growth from *Triumeq*, *Tivicay* and Meningitis vaccines was offset by the decline in Established Pharmaceuticals, including the impact of the disposal of the Romanian distribution business in Q4 2016. Respiratory sales were up 5% AER, but flat at CER, as the decline in *Seretide* offset the growth in the new Respiratory products.

In International, sales growth of 7% AER, 3% CER reflected strong growth in *Triumeq*, *Tivicay* and the Respiratory portfolio, with Established Pharmaceuticals flat, including the impact of divestments. Growth in Emerging Markets of 8% AER, 4% CER was also impacted by divestments.

Sales from new Pharmaceutical and Vaccine products

	2017 £m	2016 £m	Growth £%	Growth CER%
Respiratory				
Anoro Ellipta	342	201	70	63
Arnuity Ellipta	35	15	>100	>100
Incruse Ellipta	201	114	76	68
Nucala	344	102	>100	>100
Relvar/Breo Ellipta	1,006	620	62	55
CVMU				
Eperzan/Tanzeum	87	121	(28)	(31)
HIV				
Tivicay	1,404	953	47	40
Triumeq	2,461	1,735	42	35
Pharmaceuticals	5,880	3,861	52	45
Bexsero	556	390	43	34
Menveo	274	202	36	29
Shingrix	22	—		
Vaccines	852	592	44	36
	6,732	4,453	51	44

In 2015, GSK identified a series of New Pharmaceutical and Vaccine products that were expected to deliver at least £6 billion of revenues per annum on a CER basis by 2020. Those products are as set out above and do not include *Trelegy Ellipta* and *Juluca*, which had initial sales in 2017 of £2 million and £5 million, respectively. The Group has previously announced its plans to withdraw *Tanzeum*. At 2015 exchange rates the equivalent value of the 2017 sales was £5.7 billion.

Sales of New Pharmaceutical and Vaccine products were £6,732 million, grew £2,279 million in Sterling terms (51% AER, 44% CER) and represented approximately 30% of Pharmaceuticals and Vaccines turnover in the year.

Pharmaceuticals turnover

	2017 £m	2016 £m	Growth £%	Growth CER%
Respiratory	6,991	6,510	7	3
HIV	4,350	3,556	22	16
Immuno-inflammation	377	340	11	6
Established Pharmaceuticals	5,558	5,698	(2)	(5)
	17,276	16,104	7	3

Pharmaceuticals turnover in 2017 was £17,276 million, up 7% AER, 3% CER. Respiratory sales grew 7% AER, 3% CER to £6,991 million, driven by the *Ellipta* portfolio and *Nucala*, while HIV sales were up 22% AER, 16% CER to £4,350 million, driven by increases in market share for *Triumeq* and *Tivicay*. Sales of Established Pharmaceuticals declined 2% AER, 5% CER, reflecting a three percentage point impact of recent divestments. These divestments reduced overall Pharmaceuticals CER growth by one percentage point, most significantly impacting the contribution from Europe and Emerging Markets.

In the US, sales growth of 11% AER, 6% CER was driven by the HIV portfolio and new Respiratory products. Europe sales grew 3% AER but declined 3% CER, reflecting the continued transition of the Respiratory portfolio and generic competition to *Kivexa* as well as the disposal of the Romanian distribution business during Q4 2016 which reduced growth by three percentage points. Reported International sales growth was impacted by the benefit to Q1 2016 of the accelerated sale of inventory under supply agreements to Novartis as well as the disposal of the thrombosis and anaesthesia businesses to Aspen in Q1 2017, which reduced reported growth in International by one percentage point and in Emerging Markets by two percentage points to 7% AER, 5% CER. Sales in Japan grew 6% AER, 3% CER.

Respiratory

Total Respiratory portfolio sales were up 7% AER, 3% CER, with the US up 8% AER, 3% CER, Europe up 5% AER but flat at CER and International up 9% AER, 5% CER. Growth of the new Respiratory products more than offset the decline in *Seretide/Advair*.

The new Respiratory products recorded combined sales of £1,930 million in 2017 with sales of *Ellipta* products up 67% AER, 59% CER driven by continued strong growth in the US and the ongoing roll-out across Europe and International. Sales of *Nucala* were £344 million, a Sterling increase of £242 million, and included sales of £236 million in the US.

The aggregate growth of the *Ellipta* products was driven primarily by the contribution of the US, where sales were up 72% AER, 65% CER on the back of further market share gains. Total *Relvar/Breo Ellipta* sales grew 62% AER, 55% CER to £1,006 million, with the US up 75% AER, 67% CER to £602 million. *Anoro Ellipta* sales grew 70% AER, 63% CER to £342 million, also reflecting market share gains in the US. All *Ellipta* products, *Breo*, *Anoro*, *Incruse* and *Arnuity*, continued to grow market share in the US in the year.

Seretide/Advair sales declined 10% AER, 14% CER to £3,130 million. Sales in the US declined 12% AER, 16% CER (5% volume decline and a 11% negative impact of price), with payer rebate adjustments related to prior periods favourably impacting sales in the year. In Europe, *Seretide* sales were down 12% AER, 17% CER to £736 million (11% volume decline and a 6% negative impact of price), reflecting continued competition from generics and the transition of the Respiratory portfolio to newer products. In International, sales of *Seretide* declined 5% AER, 8% CER to £784 million (6% volume decline and a 2% negative impact of price), also reflecting increased generic competition and the transition to the newer Respiratory products.

Pricing pressures also affected other older products with *Ventolin* sales declining 2% AER, 6% CER to £767 million, including the negative impact of payer rebate adjustments related to prior periods in the US. *Flixotide/Flovent* sales were down 6% AER, 10% CER to £596 million, with the US down 15% AER, 18% CER.

The net impact of adjustments to payer rebates for prior periods across the US Respiratory portfolio was broadly neutral to reported US Respiratory sales.

HIV

HIV sales increased 22% AER, 16% CER to £4,350 million in the year, with the US up 26% AER, 21% CER, Europe up 10% AER, 3% CER and International up 33% AER, 26% CER. The growth in all three regions was driven by continued increases in market share for *Triumeq* and *Tivicay*, partly offset by the impact of generic competition to *Epzicom/Kivexa*, particularly affecting the European market. The ongoing increase in patient numbers for both *Triumeq* and *Tivicay* resulted in sales of £2,461 million and £1,404 million, respectively, in the year. *Juluca* was approved in the US in November 2017, and recorded initial sales of £5 million.

Epzicom/Kivexa sales declined 59% AER, 61% CER to £234 million, reflecting the ongoing generic competition since Q3 2016.

Immuno-inflammation

Sales grew 11% AER, 6% CER in the year. The negative impact of the divestment of raxibacumab, which recorded strong sales in Q4 2016, was more than offset by the growth of *Benlysta*, up 23% AER, 17% CER to £375 million, driven by a strong US performance.

Established Pharmaceuticals

Sales of Established Pharmaceuticals in 2017 were £5,558 million, declining 2% AER, 5% CER, impacted by the comparison with the accelerated sale of inventory under supply agreements to Novartis in Q1 2016 as well as the disposal of the thrombosis and anaesthesia businesses to Aspen in Q1 2017 and the disposal of the Romanian distribution business in Q4 2016. The impact of these disposals on the growth of the Established Pharmaceuticals portfolio was approximately three percentage points.

The *Avodart* franchise declined 3% AER, 9% CER to £613 million primarily due to the loss of exclusivity in the US and Europe and the impact of favourable RAR adjustments in 2016.

Dermatology sales grew 16% AER, 11% CER to £456 million, reflecting improved supply in Emerging Markets and growth in Japan, while *Augmentin* sales grew 4% AER, 2% CER to £587 milliion.

Vaccines turnover

	2017 £m	2016 £m	Growth £%	Growth CER%
Meningitis	890	662	34	27
Influenza	488	414	18	12
Shingles	22	—		
Established Vaccines	3,760	3,516	7	1
	5,160	4,592	12	6

Vaccines turnover grew 12% AER, 6% CER to £5,160 million, primarily driven by Meningitis vaccines, with *Bexsero* growing across all regions and *Menveo* growing in the US and Europe, and higher sales of influenza products, primarily in the US and Europe. Established Vaccines growth was driven by Hepatitis vaccines, mainly due to a competitor supply shortage in the US, higher demand for *Boostrix* and *Rotarix* and the launch of *Cervarix* in China. Favourable year-on-year CDC stockpile movements for *Infanrix*, *Pediarix* and *Menveo* in the US also contributed to growth. These were partly offset by increasing competitive pressures on *Infanrix*, *Pediarix* in the US and Europe, and lower *Synflorix* sales, driven primarily by lower pricing in developing countries.

Meningitis

Meningitis sales grew 34% AER, 27% CER to £890 million. *Bexsero* sales growth of 43% AER, 34% CER was driven by new national immunisation programmes, private market sales and regional tenders in Europe, as well as growing demand and share gains in the US, together with strong private market sales in International. *Menveo* sales grew 36% AER, 29% CER, primarily driven by the impact of favourable year-on-year CDC stockpile movements, partly offset by supply constraints in International.

Influenza

Fluarix/FluLaval sales were up 18% AER, 12% CER to £488 million, reflecting strong sales execution, primarily in the US, and higher demand in Europe.

Shingles

Shingrix recorded initial sales into the channel of £22 million in the US after its FDA approval and favourable ACIP recommendations.

Established Vaccines

Sales of the DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix*) were up 5% AER, but flat at CER. *Boostrix* sales grew 19% AER, 13% CER, benefiting from higher demand across all regions. *Infanrix*, *Pediarix* sales were down 3% AER, 8% CER, mainly driven by increased competitive pressures in the US and Europe, together with a new market entrant in Europe, partly offset by favourable year-on-year CDC stockpile movements in the US.

Hepatitis vaccines grew 15% AER, 10% CER to £693 million, benefiting from a competitor supply shortage and higher demand in the US, partly offset by the unfavourable impact of CDC stockpile movements in the US and supply constraints in Europe and International.

Rotarix was up 12% AER, 6% CER to £524 million, reflecting higher demand in Europe and International.

Synflorix sales were up 1% AER, but down 6% CER to £509 million, due to lower pricing in Emerging Markets partly offset by higher demand elsewhere in International.

Priorix/Priorix Tetra/Varilrix sales were flat at AER, but down 5% CER to £301 million, mainly due to supply constraints in International.

Cervarix sales increased by 65% AER, 57% CER to £134 million, driven by its recent launch in China.

Consumer Healthcare turnover

	2017 £m	2016 £m	Growth £%	Growth CER%
Wellness	4,001	3,726	7	2
Oral health	2,466	2,223	11	6
Nutrition	680	674	1	(5)
Skin health	603	570	6	—
	7,750	7,193	8	2

	2017 £m	2016 £m	Growth £%	Growth CER%
US	1,826	1,761	4	(1)
Europe	2,360	2,169	9	3
International	3,564	3,263	9	4
	7,750	7,193	8	2

Consumer Healthcare turnover was up 8% AER, 2% CER at £7,750 million, impacted by slower global growth in key categories. A strong performance by power brands across Wellness and Oral health was partly offset by competitive pressures in the US allergy category, impacting *Flonase* OTC, as well as lower sales of tail brands across the Nutrition and Skin health categories and a broader market slowdown in key categories. In addition, reported growth was impacted by the disposal of the Nigeria beverages business in Q3 2016 and the implementation of the Goods & Service Tax (GST) in India in July, the net effects of which were partly offset by the benefit of the comparison with the impact of demonetisation in India in Q4 2016. The divestment, GST and demonetisation combined to reduce overall Consumer Healthcare CER growth by approximately one percentage point.

Sales from new GSK innovations (product introductions within the last three years on a rolling basis) represented approximately 13% of sales in the period. Notable launches this year included *parodontax* and *Flonase Sensimist* in the US, the continued global roll out of *Flonase* OTC and several line extensions for *Sensodyne*, including next generation *Sensodyne Rapid Relief* and *Sensodyne Deep Clean*.

Wellness

Wellness sales grew 7% AER, 2% CER to £4,001 million. This reflected a strong performance from *Voltaren* and Cold & flu seasonal products, partly offset by a weaker performance from US allergy products.

Respiratory sales were up 7% AER, 2% CER as strong broadly-based growth from *Theraflu* and *Otrivin*, particularly in Europe and International, was partly offset by competitive pressures in the US for *Flonase* OTC from private label products.

Pain relief sales were up 10% AER, 4% CER, driven significantly by *Voltaren* with growth across all regions, benefiting from momentum in the 12-hour variant, strong in-store and marketing activation, expansion of expert detailing and strong performances in International markets. *Panadol* also grew strongly in Europe, benefiting from new advertising campaigns, and in International in low single digits.

Oral health

Oral health sales grew 11% AER, 6% CER to £2,466 million. *Sensodyne* continued to drive performance, reporting growth of 12% AER, 8% CER, with strong delivery in all regions following the roll out of next generation *Sensodyne Rapid Relief* and the launch of *Pronamel Strong & Bright*. Sales of *parodontax* continued to grow strongly, reflecting double-digit performances in Europe and International, driven by a brand reset and increases in dentist recommendations, as well as the US launch in the first quarter. Denture care grew in mid-single digits with double-digit growth in emerging markets partly offset by slower consumption growth in the US and Germany.

Nutrition

Nutrition sales grew 1% AER and declined 5% CER to £680 million, adversely impacted by the sale of the Nigeria beverages business in Q3 2016 and the implementation of GST on 1 July, as well as continued competitive pressures for *Horlicks* in India. The net impact of the divestment of the Nigeria beverages business, implementation of GST offset by the favourable comparison with the impact of demonetisation in the prior year reduced Nutrition CER growth by approximately six percentage points.

Skin health

Skin health sales grew 6% AER, but were flat at CER at £603 million, with low single-digit growth in the US, a slight decline within Europe and International flat. *Fenistil* sales grew strongly, with good performances in Central & Eastern Europe, Germany and the Middle East, following digital activation and new media campaigns. *Physiogel* and *Lamisil* continued to be impacted by competitor activity, whilst Lip care sales grew in mid-single digits.

The total results of the Group are set out below.

	2017		2016		Growth	
	£m	% of turnover	£m	% of turnover	£%	CER%
Turnover	30,186	100	27,889	100	8	3
Cost of sales	(10,342)	(34.3)	(9,290)	(33.3)	11	8
Selling, general and administration	(9,672)	(32.0)	(9,366)	(33.6)	3	(1)
Research and development	(4,476)	(14.8)	(3,628)	(13.0)	23	19
Royalty income	356	1.1	398	1.4	(11)	(13)
Other operating income/(expense)	(1,965)	(6.5)	(3,405)	(12.2)		
Operating profit	4,087	13.5	2,598	9.3	57	39
Net finance costs	(669)		(664)			
Profit on disposal of interest in associates	94		—			
Share of after tax profits of associates and joint ventures	13		5			
Profit before taxation	3,525		1,939		82	58
Taxation	(1,356)		(877)			
Profit after taxation for the year	2,169		1,062		>100	71
Profit attributable to shareholders	1,532		912			
Earnings per share (p)	31.4		18.8		67	36
Earnings per ADS (US$)	0.82		0.51			

Cost of sales

Cost of sales as a percentage of turnover was 34.3%, up 1.0 percentage points in Sterling terms and up 1.4 percentage points in CER terms compared with 2016. This primarily reflected the phasing of costs of manufacturing restructuring programmes including non-cash write downs as a result of plant closures and the write down of assets related to the progressive withdrawal of *Tanzeum*, as well as continued adverse pricing pressure in Pharmaceuticals, primarily Respiratory, and additional supply chain investments. This was partly offset by a more favourable product mix across all three businesses, particularly in Pharmaceuticals, reflecting the impact of higher HIV sales, and in Vaccines, reflecting the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016. There was also a continued contribution from integration and restructuring savings in all three businesses.

Selling, general and administration

SG&A costs were 32.0% of turnover, 1.5 percentage points lower than in 2016 in Sterling and CER terms. This primarily reflected lower restructuring costs and tight control of ongoing operating costs, particularly in Consumer Healthcare, as well as continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines and Consumer Healthcare. This was partly offset by an increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

R&D expenditure was £4,476 million (14.8% of turnover), 23% higher than in 2016 at AER and 19% higher at CER. This included charges of £106 million from the utilisation of the Priority Review Voucher in 2017 as well as increased investment in the progression of a number of mid and late-stage programmes. In addition, there were higher restructuring costs, primarily as a result of the provision for future clinical obligations as a result of the progressive withdrawal of *Tanzeum* and the decision to terminate the rights to sirukumab, and higher intangible asset impairments.

	2017	2016	Growth	
	£m	£m	£%	CER%
Discovery	1,020	821	24	21
Development	1,450	1,249	16	13
Facilities and central support functions	536	558	(4)	(7)
Total Pharmaceuticals	3,006	2,628	14	11
Vaccines R&D	621	597	4	(2)
Consumer Healthcare R&D	235	243	(3)	(7)
	3,862	3,468	11	8
Items reconciling Adjusted R&D to Total R&D	614	160		
Research and development	4,476	3,628	23	19

The growth in Development expenditure was driven by the progression of a number of mid and late-stage programmes in HIV, Respiratory and Anaemia, together with the utilisation of the Priority Review Voucher in Q2 2017. The continuing high growth in Discovery expenditure reflected further investment in the early stage Oncology portfolio.

Royalty and other operating income/(expense)

Net other operating expense of £1,609 million (2016 – £3,007 million) primarily reflected lower accounting charges arising from the re-measurement of the contingent consideration liabilities related to the former Shionogi-ViiV Healthcare joint venture and the acquisition of the former Novartis Vaccines business, the value attributable to the Consumer Healthcare Joint Venture put option and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. The remeasurement charges of £2,185 million (2016 – £3,914 million) reflected updated trading forecasts and changes in exchange rate assumptions as well as the unwinding of the discount applied to these future liabilities of £1,001 million. They also included charges of £666 million arising from the positive impact of US tax reform on the valuation of the Consumer Healthcare and HIV businesses. These charges were partly offset by the gain of £250 million on the disposal of the anaesthesia business to Aspen and royalty income of £356 million (2016 – £398 million).

Operating profit

Total operating profit was £4,087 million in 2017 compared with £2,598 million in 2016. The increase primarily reflected a reduced impact from accounting charges related to the remeasurement of the liabilities for contingent consideration, put options and preferential dividends. In addition operating profit benefited from an improved operating margin driven by sales growth across all three businesses, but particularly Vaccines, and a more favourable mix in all three businesses. In Vaccines, there was also a favourable year-on-year comparison with inventory adjustments in 2016 and the benefit of a one-off settlement in cost of sales. Continued tight control of ongoing costs and benefits from restructuring and integration also contributed to improved margins in Vaccines and Consumer Healthcare, but in Pharmaceuticals, the benefits were offset by an overall increase in Pharmaceuticals R&D investment (including the impact of the Priority Review Voucher) together with continuing price pressure, particularly in Respiratory, and supply chain investments to support new products.

Net finance costs

Finance income	2017 £m	2016 £m
Interest and other income	63	70
Fair value movements	2	2
	65	72
Finance expense		
Interest expense	(720)	(701)
Unwinding of discounts on liabilities	(16)	(16)
Remeasurements and fair value movements	(4)	(4)
Other finance expense	6	(15)
	(734)	(736)

Profit on disposal of associates

The profit on disposal of associates was £94 million (2016 – £nil). This arose from the disposal of our entire shareholdings in two associates, River Vision Development Co. Ltd and JCR Pharmaceuticals Co Ltd.

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £13 million (2016 – £5 million).

Profit before taxation

Taking account of net finance costs, the profit on disposal of associates and the share of profit of associates, profit before taxation was £3,525 million compared with £1,939 million in 2016.

Taxation

	2017 £m	2016 £m
UK current year charge	199	241
Rest of world current year charge	1,928	1,326
Charge in respect of prior periods	(508)	(149)
Total current taxation	1,619	1,418
Total deferred taxation	(263)	(541)
Taxation on total profits	1,356	877

A tax charge of £1,356 million on Total profit represented an effective tax rate of 38.5% (2016 – 45.2%) and included a charge of £1,078 million arising from US tax reform as described in more detail on page 68. This was partly offset by a £483 million benefit from Swiss tax reform, arising from the revaluation of deferred tax liabilities on acquired Consumer Healthcare brands to reflect a reduction in the headline tax rate.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £637 million (2016 – £150 million), including the non-controlling interest allocations of Consumer Healthcare profits of £415 million (2016 – £203 million) and the allocation of ViiV Healthcare profits, which increased to £187 million (2016 – £83 million loss) including the impact of changes in the proportions of preferential dividends due to each shareholder. The increase in allocation of ViiV Healthcare profits primarily reflected the impact of lower remeasurement charges and the increase in allocation of Consumer Healthcare profits reflected improved operating profits together with the benefit of Swiss tax reform in 2017.

Earnings per share

Total earnings per share were 31.4p, compared with 18.8p in 2016. The increase reflected the reduced impact of charges arising from the revaluations of the liabilities for contingent consideration and the put options associated with increases in the Sterling value of the Group's HIV and Consumer Healthcare businesses, the benefit from Swiss tax reform and improved performances by the relevant businesses, partly offset by the charges arising from US tax reform.

Dividends

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend declared for 2016.

Items adjusted from Total results to present Adjusted results

Total results are adjusted for a number of items in order to present Adjusted results, as explained defined on pages 40 and 41 of the GSK Annual Report 2018. The items are discussed below.

Intangible asset amortisation and impairment

Intangible asset amortisation was £591 million, compared with £588 million in 2016. Intangible asset impairments of £688 million (2016 – £20 million) included impairments related to the progressive withdrawal of *Tanzeum* and a number of other commercial and R&D assets following the refocusing of the R&D pipeline during 2017. Both of the amortisation and impairment charges were non-cash items.

Major restructuring and integration

Major restructuring and integration charges of £1,056 million have been incurred (2016 – £970 million). Non-cash charges were £525 million, primarily reflecting the write down of assets as a result of the decision to withdraw *Tanzeum* and terminate rights to sirukumab arising from the establishment of the Group's new business priorities, as well as the write down of assets related to reductions in the site network. Cash charges were £531 million (2016 – £704 million), including charges as a result of the decisions to withdraw *Tanzeum* and terminate rights to sirukumab. Cash payments made were £555 million (2016 – £1,077 million), including the settlement of certain charges previously accrued, but also reflecting the deferral of some payments into 2018. Cash payments of approximately £0.5 billion are expected in 2018. The programme delivered incremental cost savings in 2017 of £0.7 billion, including £0.2 billion of currency benefits.

Charges for the combined restructuring and integration programme to date are £4.8 billion, of which cash charges are £3.5 billion. Cash payments of £3.1 billion have been made to date. Non-cash charges are £1.3 billion.

An extension to the existing combined programme was agreed by the Board in July 2017, with total cash charges of the combined programme now expected to be approximately £4.1 billion and non-cash charges up to £1.6 billion. The programme has now delivered approximately £3.7 billion of annual savings, including a currency benefit of £0.4 billion. The extended programme is now expected to deliver by 2020 total annual savings of £4.0 billion on a constant currency basis, together with an estimated £0.4 billion of currency benefits on the basis of 2017 average exchange rates.

Transaction-related adjustments

Transaction-related adjustments resulted in a net charge of £1,599 million (2016 – £3,919 million). This primarily reflected accounting charges for the re-measurement of the liability and the unwinding of the discounting effects on the contingent consideration related to the acquisition of the former Shionogi-ViiV Healthcare joint venture, the contingent consideration related to the acquisition of the former Novartis Vaccines business, and the value attributable to the Consumer Healthcare Joint Venture put option held by Novartis. These transaction-related adjustments exclude the impact on these liabilities arising from the implementation of the US Tax Cuts and Jobs Act in 2017 which is set out separately on this page.

Charge/(credit)	2017 £m	2016 £m
Consumer Healthcare Joint Venture put option	986	1,133
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	556	2,162
ViiV Healthcare put options and Pfizer preferential dividends	(126)	577
Contingent consideration on former Novartis Vaccines business	101	69
Other adjustments	82	(22)
Total transaction-related charges	1,599	3,919

The aggregate impact of unwinding the discount on these future and potential liabilities was £1,001 million (2016 – £905 million), including £543 million on the Consumer Healthcare Joint Venture put option and £408 million on the contingent consideration related to the former Shionogi-ViiV Healthcare Joint Venture. The remaining charge of £598 million was driven by adjustments to trading forecasts and the impact of updated exchange rate assumptions on those forecasts for the relevant businesses as well as updated multiples used in the valuation of the Consumer Healthcare Joint Venture put option.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in 2017 amounted to £685 million (2016 – £431 million). This included cash payments made by ViiV Healthcare to Shionogi in relation to its contingent consideration liability (including preferential dividends) which amounted to £671 million (2016 – £417 million).

An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 41 of the GSK Annual Report 2018.

The impact on profit after tax from transaction-related adjustments includes an accounting credit in respect of Swiss tax reform of £483 million, arising from the revaluation of deferred tax liabilities on acquired Consumer Healthcare brands to reflect a reduction in the headline Swiss tax rate.

Divestments and other items

Divestments and other items included the profit on disposal of the anaesthesia business to Aspen of £250 million, a number of other asset disposals, equity investment impairments and certain other adjusting items. Significant legal charges of £68 million (2016 – £62 million) included the benefit of the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £192 million (2016 – £102 million).

US tax reform

The enactment of the US Tax Cuts and Jobs Act has resulted in a number of additional charges in 2017, which reduced Total earnings by £1,630 million.

Firstly, increased valuations of the HIV and Consumer Healthcare businesses due to lower US tax rates resulted in an increase in the related liabilities for contingent consideration and the put options of £666 million.

Secondly, an additional tax charge of £1,078 million comprised a reduction in the value of US deferred tax assets held against future liabilities, such as pensions, and a current tax credit, together amounting to £730 million, as well as a charge of £348 million arising on the reserves of subsidiaries of US entities in the Group. The cash impact of this latter charge will be spread over eight years from 2018, with approximately 60% expected to be payable in years six to eight.

These charges were partly offset by an allocation to non-controlling interests amounting to £114 million, as many of the adjustments related to ViiV Healthcare and the Consumer Healthcare Joint Venture.

These charges represent management's estimates of the impact of US tax reform on the Group based on the information currently available. As further guidance from the US Treasury on implementation of the Act becomes available, particularly with regard to the repatriation tax provisions, the assumptions underlying these estimates could change. This could result in adjustments to the charges taken that could have a material impact on the results of the Group.

Adjusted results

We use Adjusted results, which is a non-IFRS measure, among other metrics including total results and cash flow generation, to manage the performance of the Group. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. The definition of Adjusted results is set out on page 40 of the GSK Annual Report 2018.

Cost of sales

	2017 £m	2017 % of turnover	2016 £m	2016 % of turnover	Growth £%	Growth CER%
Cost of sales	(8,771)	(29.1)	(8,351)	(29.9)	5	1

Cost of sales as a percentage of turnover was 29.1%, down 0.9 percentage points in Sterling terms and down 0.5 percentage points in CER terms compared with 2016. This reflected a more favourable product mix across all three businesses, particularly in Pharmaceuticals, including the impact of higher HIV sales, as well as favourable product mix, the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016 in Vaccines. There was also a further contribution from integration and restructuring savings in all three businesses, offset by continued adverse pricing pressure in Pharmaceuticals, primarily Respiratory, and additional supply chain investments.

Selling, general and administration

	2017 £m	2017 % of turnover	2016 £m	2016 % of turnover	Growth £%	Growth CER%
Selling, general and administration	(9,341)	(30.9)	(8,797)	(31.5)	6	1

SG&A costs were 30.9% of turnover, 0.6 percentage points lower in Sterling terms than in 2016 and 0.5 percentage points lower on a CER basis. This primarily reflected tight control of ongoing costs, particularly in Consumer Healthcare, continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines and Consumer Healthcare. This was partly offset by increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

	2017 £m	2017 % of turnover	2016 £m	2016 % of turnover	Growth £%	Growth CER%
Research and development	(3,862)	(12.8)	(3,468)	(12.4)	11	8

R&D expenditure was £3,862 million (12.8% of turnover), 11% higher than 2016 at AER and 8% higher at CER. This included a charge of £106 million on the utilisation of the Priority Review Voucher in Q2 2017 as well as increased investment in the progression of a number of mid and late-stage programmes.

	2017 £m	2016 £m	Growth £%	Growth CER%
Discovery	1,020	821	24	21
Development	1,450	1,249	16	13
Facilities and central support functions	536	558	(4)	(7)
Total Pharmaceuticals	3,006	2,628	14	11
Vaccines R&D	621	597	4	(2)
Consumer Healthcare R&D	235	243	(3)	(7)
Research and development	3,862	3,468	11	8

The growth in Development expenditure was driven by the progression of a number of mid and late-stage programmes in HIV, Respiratory and Anaemia, together with the utilisation of the Priority Review Voucher in Q2 2017. The continuing high growth in Discovery expenditure reflected further investment in the early stage Oncology portfolio.

Royalty income

Royalty income was £356 million (2016 – £398 million). The reduction was primarily due to the patent expiry of *Cialis* in Q4 2016 and a catch-up adjustment recorded in Q1 2016.

Adjusted operating profit

Adjusted operating profit was £8,568 million, 12% AER higher than in 2016 and 5% CER higher on a turnover increase of 3% CER. The Adjusted operating margin of 28.4% was 0.9 percentage points higher than in 2016 on an AER basis and 0.4 percentage points higher on a CER basis. This reflected improved operating leverage driven by sales growth and a more favourable mix in all three businesses, together with, in Vaccines, the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016. There was also continued tight control of ongoing costs across all three businesses as well as benefits from restructuring and integration. This was partly offset by the charge of £106 million on the utilisation of the Priority Review Voucher in Q2 2017 as well as other increases in R&D investment, continuing price pressure, particularly in Respiratory, and supply chain investments.

Adjusted operating profit by business

	2017		2016		Growth	
	£m	Margin %	£m	Margin %	£%	CER%
Pharmaceuticals	8,667	50.2	7,976	49.5	9	3
Pharmaceuticals R&D	(2,740)		(2,488)		10	7
Pharmaceuticals	5,927	34.3	5,488	34.1	8	1
Vaccines	1,644	31.9	1,429	31.1	15	11
Consumer						
Healthcare	1,373	17.7	1,116	15.5	23	11
	8,944	29.6	8,033	28.8	11	4
Corporate & other unallocated costs	(376)		(362)		4	(3)
Adjusted operating profit	8,568	28.4	7,671	27.5	12	5

Pharmaceuticals

Pharmaceuticals operating profit was £5,927 million, 8% AER higher than in 2016 and 1% CER higher on a turnover increase of 3% CER. The operating margin of 34.3% was 0.2 percentage points higher than in 2016 on a Sterling basis but 0.6 percentage points down on a CER basis. This primarily reflected increased R&D investment, including the impact of the utilisation of the Priority Review Voucher in Q2 2017. The operating margin also reflected increased investment in new product support, as well as the continued impact of lower prices, particularly in Respiratory, and the broader transition of the Respiratory portfolio, partly offset by a more favourable product mix, primarily driven by the growth in HIV sales, and the continued cost reduction benefit of the Group's Pharmaceuticals restructuring programme.

Vaccines

Vaccines operating profit was £1,644 million, 15% AER higher than in 2016 and 11% CER higher on a turnover increase of 6% CER. The operating margin of 31.9% was 0.8 percentage points higher than in 2016 on a Sterling basis and 1.3 percentage points higher on a CER basis. This was primarily driven by improved product mix, the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison with inventory adjustments in 2016, together with continued restructuring and integration benefits. This was partly offset by increased SG&A resources to support business growth and new launches, increased supply chain costs and lower royalty income.

Consumer Healthcare

Consumer Healthcare operating profit was £1,373 million, 23% AER higher than in 2016 and 11% CER higher on a turnover increase of 2% CER. The operating margin of 17.7% was 2.2 percentage points higher than in 2016 and 1.3 percentage points higher on a CER basis, reflecting tight control of costs, integration synergies, principally in SG&A, partly offset by increased investment in power brands.

Net finance costs

Finance income	2017 £m	2016 £m
Interest and other income	63	70
Fair value movements	2	2
	65	72
Finance expense		
Interest expense	(720)	(701)
Unwinding of discounts on liabilities	(4)	(4)
Remeasurements and fair value movements	(4)	(4)
Other finance expense	6	(15)
	(722)	(724)

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £13 million (2016 – £5 million).

Adjusted profit before taxation

	2017		2016	Growth

	£m	% of turnover	£m	% of turnover	£%	CER%
Adjusted profit before tax	7,924	26.3	7,024	25.2	13	5

Taxation

Tax on Adjusted profit amounted to £1,667 million and represented an effective Adjusted tax rate of 21.0% (2016 – 21.3%).

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £793 million (2016 – £637 million), including the non-controlling interest allocations of Consumer Healthcare profits of £344 million (2016 – £288 million) and the allocation of ViiV Healthcare profits, which increased to £414 million (2016 – £324 million) including the impact of changes in the proportions of preferential dividends due to each shareholder. The increase in allocation also reflected comparison with the reduction in the allocation to non-controlling interests due to higher net losses in some of the Group's other entities with non-controlling interests in 2016.

Adjusted earnings per share

Adjusted EPS of 111.8p was up 11% AER, 4% CER compared with a 5% CER increase in Adjusted operating profit.

Financial position and resources

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption to production and to ensure compliance with regulatory standards. A number of our processes use hazardous materials.

The total cost of our property, plant and equipment at 31 December 2017 was £21,719 million, with a net book value of £10,860 million. Of this, land and buildings represented £4,270 million, plant and equipment £4,132 million and assets in construction £2,458 million. In 2017, we invested £1,584 million in new property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2017, we had contractual commitments for future capital expenditure of £584 million and operating lease commitments of £1,045 million. We believe that our property and plant facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities.

Goodwill

Goodwill decreased during the year to £5,734 million at 31 December 2017, from £5,965 million. The decrease primarily reflected the impact of exchange movements.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2017 was £17,562 million (2016 – £18,776 million). The decrease in 2017 reflected the impact of exchange movements and the amortisation and impairment of existing intangibles of £934 million and £680 million respectively, partly offset by the development costs capitalised during the year of £251 million and other additions of £454 million.

Investments in associates and joint ventures

We held investments in associates and joint ventures with a carrying value at 31 December 2017 of £183 million (2016 – £263 million). The market value at 31 December 2017 was £372 million (2016 – £502 million). The largest of these investments was in Innoviva Inc. which had a book value at 31 December 2017 of £147 million (2016 – £138 million). The market value at 31 December 2017 was £336 million. See Note 20 to the financial statements ‘Investments in associates and joint ventures’.

Other investments

We held other investments with a carrying value at 31 December 2017 of £918 million (2016 – £985 million). The decrease in the carrying value during the year was primarily due to the impact of exchange movements. The most significant of the investments held at 31 December 2017 was in Theravance Biopharma, Inc. which had a book value at 31 December 2017 of £199 million (2017 – £248 million). The other investments included equity stakes in companies with which we have research collaborations, which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets

We had current derivative financial instruments held at fair value of £68 million (2016 – £156 million) and non-current derivative financial instruments held at fair value of £8 million (2016 – £nil). The majority of these financial instruments related to foreign exchange contracts both designated and not designated as accounting hedges.

Inventories

Inventory of £5,557 million increased from £5,102 million in 2016. The increase primarily reflected inventory build in advance of new product launches.

Trade and other receivables

Trade and other receivables of £6,000 million decreased from £6,026 million in 2016, primarily reflecting exchange movements partly offset by the impact of higher sales.

Deferred tax assets

Deferred tax assets of £3,796 million decreased from £4,374 million in 2016 primarily as a result of the revaluation of existing deferred tax assets to reflect the lower headline US tax rate following enactment of US tax reform, partly offset by an increase in deferred tax assets related to intra-Group profit on inventory.

Derivative financial instruments: liabilities

We held current derivative financial instruments at fair value of £74 million (2016 – £194 million). This primarily related to foreign exchange contracts both designated and not designated as accounting hedges.

Trade and other payables

Trade and other payables amounting to £20,970 million increased from £11,964 million in 2016, reflecting the reclassification of the Consumer Healthcare put option of £8,606 million from non-current liabilities. This relates to the present value of the estimated amount payable by us in the event of full exercise of Novartis' right to require us to acquire its 36.5% shareholding in the Consumer Healthcare Joint Venture. As this option became exercisable from 2 March 2018, with payment likely to be due several months after exercise, it has been classified within current liabilities on the Group balance sheet. Further details are provided in Note 3, 'Key accounting judgements and estimates'.

Provisions

We carried deferred tax provisions and other short-term and non-current provisions of £2,661 million at 31 December 2017 (2016 – £3,434 million). The decrease in the year primarily reflected a reduction in the deferred tax provision as a result of Swiss tax reform. Other provisions at the year-end include £186 million (2016 – £344 million) related to legal and other disputes and £504 million (2016 – £554 million) related to the major restructuring programme. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of the restructuring programme to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits

We account for pension and other post-employment arrangements in accordance with IAS 19. The deficits, net of surpluses before allowing for deferred taxation were £1,505 million (2016 – £2,084 million) on pension arrangements and £1,496 million (2016 – £1,693 million) on unfunded post-employment liabilities. The decreases in the deficits were predominantly driven by special funding contributions to the UK and US schemes and significant UK asset gains partly offset by lower discount rates that we used to discount the value of the liabilities.

Other non-current liabilities

Other non-current liabilities amounted to £981 million at 31 December 2017 (2016 – £8,445 million). This decrease from 2016 reflects the reclassification of the Consumer Healthcare put option to current liabilities during the year.

Contingent consideration liabilities

Contingent consideration liabilities amounted to £6,172 million at 31 December 2017 (2016 – £5,896 million), of which £5,542 million (2016 – £5,304 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £584 million (2016 – £545 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition. The liability due to Shionogi included £216 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 December 2017 was £17 million. An explanation of the accounting treatment of our interests in ViiV Healthcare is set out on page 59.

Net debt

	2017 £m	2016 £m
Cash, cash equivalents and liquid investments	3,911	4,986
Borrowings – repayable within one year	(2,825)	(4,129)
Borrowings – repayable after one year	(14,264)	(14,661)
Net debt	(13,178)	(13,804)

At 31 December 2017, net debt was £13.2 billion, compared with £13.8 billion at 31 December 2016, comprising gross debt of £17.1 billion and cash and liquid investments of £3.9 billion. The decrease in net debt primarily reflected the improved free cash flow of £3.4 billion, disposal proceeds of £0.6 billion, together with a £0.6 billion favourable exchange impact from the translation of non-Sterling denominated debt, which more than offset the cost of dividends paid to shareholders of £3.9 billion.

At 31 December 2017, our cash and liquid investments were held as follows:

	2017 £m	2016 £m
Bank balances and deposits	1,715	2,583
US Treasury and Treasury repo only money market funds	1,715	2,248
Liquidity funds	403	66
Cash and cash equivalents	3,833	4,897
Liquid investments – Government securities	78	89
	3,911	4,986

Cash and liquid investments of £2.5 billion (2016 – £3.2 billion) were held centrally at 31 December 2017.

5.B Liquidity and capital resources

The information set forth under the headings:

- “Cash generation and conversion” on pages 56 to 57;
- “Financial position and resources” on pages 58 to 62;
- “Treasury policies” on pages 62 to 63;
- “Note 41 – Commitments” on page 197; and
- “Note 42 – Financial instruments and related disclosures” on pages 198 to 211

of the GSK Annual Report 2018 is incorporated herein by reference.

5.C Research and development, patents and licenses, etc.

The information set forth under the headings:

- “Innovation” within “Pharmaceuticals” on pages 13 to 15,“Vaccines” on pages 18 to 19 and “Consumer Healthcare” on pages 21 to 22;
- “Performance” within “Pharmaceuticals” on page 17; “Vaccines” on page 20 and “Consumer Healthcare” on pages 22 to 23;
- “Pharmaceuticals and Vaccines product development pipeline” on pages 235 to 237;
- “Pharmaceutical products, competition and intellectual property” on pages 238 to 239;
- “Vaccines products, competition and intellectual property” on page 239; and
- “Consumer Healthcare products and competition” on page 240

of the GSK Annual Report 2018 is incorporated herein by reference.

5.D Trend information

The information set forth under the heading "Financial Review 2018" in Item 5.A of this annual report on Form 20-F is incorporated herein by reference.

5.E Off-balance sheet arrangements

Not applicable.

5.F Tabular disclosure of contractual obligations

The information set forth under the heading "Contractual obligations and commitments" on page 61 of the GSK Annual Report 2018 is incorporated herein by reference.

Item 6. **Directors, Senior Management and Employees**

6.A Directors and senior management

The information set forth under the headings:

- "Our Board" on pages 68 to 70; and
- "Our Corporate Executive Team" on page 71

of the GSK Annual Report 2018 is incorporated herein by reference.

6.B Compensation

- "Remuneration report" on pages 95 to 124; and
- "2017 Remuneration policy summary " on pages 120 to 124

of the GSK Annual Report 2018 is incorporated herein by reference.

6.C Board practices

The information set forth under the heading:

- "Corporate governance" on pages 65 to 94; and
- "Additional remuneration disclosures" on page 107; and
- "Donations to political organisations and political expenditure" on page 259

of the GSK Annual Report 2018 is incorporated herein by reference.

6.D Employees

The information set forth under the headings:

- "Engaged people" on page 28;
- "Development" on page 29;
- "Note 9 – Employee costs" on page 158;
- "Note 28 – Pensions and other post-employment benefits" on pages 174 to 182; and
- "Number of employees" under "Five year record" on page 231

of the GSK Annual Report 2018 is incorporated herein by reference.

6.E Share ownership

The information set forth under the headings:

- "Note 43– Employee share schemes" on pages 212 to 213;
- "Total remuneration for 2017" on pages 98 to 99;
- "Value earned from Long Term Incentives (LTIs)" on page 103;
- "Update on performance of ongoing LTI awards" on page 104; and
- "Directors' interests in shares" on pages 113 to 118

of the GSK Annual Report 2018 is incorporated herein by reference.

Item 7**.** **Major Shareholders and Related Party Transactions**

7.A Major shareholders

The information set forth under the headings:

- "Change of control and essential contracts" on page 94;
- "Share capital and control" on pages 251 to 252; and
- "Analysis of shareholdings at 31 December 2018" on page 252

of the GSK Annual Report 2018 is incorporated herein by reference.

7.B Related party transactions

The information set forth under the heading:

- "Note 35 – Related party transactions" on page 189

of the GSK Annual Report 2018 is incorporated herein by reference.

7.C Interests of experts and counsel

Not applicable.

Item 8. **Financial Information**

8.A Consolidated Statements and Other Financial Information:

See Item 18 below.

In addition, the information set forth under the headings:

- "Note 45 – Legal proceedings" on pages 215 to 218; and
- "Dividends" on page 253

of the GSK Annual Report 2018 is incorporated herein by reference.

8.B Significant Changes

The information set forth under the headings:

- "Note 45 – Legal proceedings" on pages 215 to 218; and
- "Note 46 – Post balance sheet events" on page 218

of the GSK Annual Report 2018 is incorporated herein by reference.

Item 9. The Offer and Listing

9.A Offer and listing details

The information set forth under the headings:

- "Market capitalisation" on page 251; and
- "Nature of trading market" on page 252

of the GSK Annual Report 2018 is incorporated herein by reference.

The trading symbol for GSK's Ordinary Shares of 25p each on the London Stock Exchange is GSK.L and the trading symbol for GSK's ADSs on the New York Stock Exchange is GSK.

9.B Plan of distribution

Not applicable.

9.C Market**s**

The information set forth under the headings:

- The second paragraph under "Share capital and control" on page 251; and
- "Nature of trading market" on page 252

of the GSK Annual Report 2018 is incorporated herein by reference.

9.D Selling shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the issue

Not applicable.

Item 10. **Additional Information**

10.A Share Capital Not applicable.

10.B Articles of Association of GlaxoSmithKline plc

The following is a summary of the principal provisions of the company's Articles of Association (the "Articles"). Shareholders should not rely on this summary, but should instead refer to the current Articles which are filed with the Registrar of Companies in the UK and can be viewed on the company's website. The Articles contain the fundamental provisions of the company's constitution, and the rules for the internal management and control of the company. The company has no statement of objects in its Articles and accordingly its objects are unrestricted in accordance with the provisions of the Companies Act 2006.

(a) Voting

All resolutions put to the vote at general meetings, including electronic general meetings (see paragraph (h)), will be decided by poll. On a poll, every shareholder who is present in person or by proxy or, in the case of an electronic general meeting, who participates or is represented by proxy via an electronic platform shall have one vote for every Ordinary Share of which he or she is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand on the register. Unless the Directors otherwise decide, the right to attend a general meeting and voting rights may not be exercised by a shareholder who has not paid to the company all calls and other sums then payable by him or her in respect of his or her Ordinary Shares. The right to attend a general meeting and voting rights may not be exercised by a shareholder who is subject to an order under Section 794 of the Companies Act 2006 because he or she has failed to provide the company with information concerning his or her interests in Ordinary Shares within the prescribed period, as required by Section 793 of the Companies Act 2006.

(b) Transfer of Ordinary Shares

Any shareholder may transfer his or her Ordinary Shares which are in certificated form by an instrument of transfer in any usual form or in any other form which the Directors may approve. Such instrument must be properly signed and stamped or certified (or otherwise shown to the satisfaction of the Directors as being exempt from stamp duty) and lodged with the company together with the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Any member may transfer title to his or her uncertificated Ordinary Shares by means of a relevant system, such as CREST.

The transferor of a share is deemed to remain the holder until the transferee's name is entered on the register. The Directors may decline to register any transfer of any Ordinary Share which is not fully paid.

Registration of a transfer of uncertificated Ordinary Shares may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated Ordinary Share is to be transferred exceeds four.

The Articles contain no other restrictions on the transfer of fully paid certificated Ordinary Shares provided: (i) the instrument of transfer is duly stamped or certified or otherwise shown to the satisfaction of the Directors to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Directors may reasonably require; (ii) the transfer, if to joint transferees, is in favour of not more than four transferees; (iii)

the instrument of transfer is in respect of only one class of shares; and (iv) the holder of the Ordinary Shares is not subject to an order under Section 794 of the Companies Act 2006. Notice of refusal to register a transfer must be sent to the transferee within two months of the instrument of transfer being lodged. The Directors may decline to register a transfer of Ordinary Shares by a person holding 0.25 per cent. or more of the existing Ordinary Shares if such person is subject to an order under Section 794 Companies Act 2006, after failure to provide the company with information concerning interests in those Ordinary Shares required to be provided under Section 793 of the Companies Act 2006, unless the transfer is carried out pursuant to an arm's length sale.

Provisions in the Articles will not apply to uncertificated Ordinary Shares to the extent that they are inconsistent with:

(i) the holding of Ordinary Shares in uncertificated form;

(ii) the transfer of title to Ordinary Shares by means of a system such as CREST; and

(iii) any provisions of the relevant regulations.

(c) Dividends and distribution of assets on liquidation

The profits of the company which are available for distribution and permitted by law to be distributed and which the company may by ordinary resolution from time to time declare, upon the recommendation of the Directors to distribute by way of dividend, in respect of any accounting reference period shall be distributed by way of dividend among holders of Ordinary Shares.

If in their opinion the company's financial position justifies such payments, the Directors may, as far as any applicable legislation allows, pay interim dividends on shares of any class of such amounts and in respect of such periods as they think fit. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared, apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. As the company has only one class of Ordinary Shares, the holders of such Ordinary Shares will be entitled to participate in any surplus assets in a winding- up in proportion to their shareholdings.

(d) Variation of rights and changes in capital

Subject to the provisions of any statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company (the "Companies Acts"), the rights attached to any class of shares may be varied with the written consent of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At every such separate meeting, the provisions of the Articles relating to general meetings shall apply, except the necessary quorum shall be at least two persons entitled to vote and holding or representing as proxy at least one-third in nominal value of the issued shares of the relevant class(excluding any shares of that class held as treasury shares) (but provided that at any adjourned meeting one holder of shares of the relevant class present in person or by proxy shall be a quorum).

The rights conferred upon the holders of any Ordinary Shares shall not, unless otherwise expressly provided in the rights attaching to those Ordinary Shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

(e) Unclaimed dividends

All dividends or other sums payable on or in respect of any Ordinary Shares which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. Unless the Directors decide otherwise, any dividend or other sums payable on or in respect of any Ordinary Shares unclaimed after a period of 12 years from the date when declared or became due for payment will be forfeited and revert to the company. The company may stop sending dividend cheques or warrants by post, or employ such other means of payment in respect of any Ordinary Shares, if at least two consecutive payments have remained uncashed or are returned undelivered or if one payment has remained uncashed or is returned undelivered and the company cannot establish a new address for the holder after making reasonable enquiries; however, in either case, the company must resume sending cheques or warrants or employ such other means of payment if the holder or any person entitled to the Ordinary Shares by transmission requests the resumption in writing.

(f) Untraced shareholders

The company may sell any certificated Ordinary Shares in the company after using reasonable efforts to trace the holder of, or person entitled by transmission to, the Ordinary Shares and sending a notice to the registered address or last known address of the holder or other person entitled in accordance with the requirements of the Articles and waiting for three months if the Ordinary Shares have been in issue for at least ten years and during that period at least three dividends have become payable on them and have not been claimed or satisfied and, so far as any Director is aware, the company has not received any communication from the holder of the Ordinary Shares or any person entitled to them by transmission. Upon any such sale, the company will become indebted to the former holder of the Ordinary Shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale unless and until forfeited. If no valid claim for the money has been received by the company during a period of six years from the date on which the relevant shares were sold by the company, the money will be forfeited and will belong to the company.

(g) Limitations on rights of non-resident or foreign shareholders

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders except that there is no requirement for the company to serve notices on shareholders outside the United Kingdom and the United States, if no postal address in the United States or United Kingdom has been provided to the company. The company may choose not to serve, send or supply any notice to a particular shareholder where it considers this necessary or appropriate to deal with legal, regulatory or practical problems in, or under the laws of, any territory.

(h) General meetings of shareholders

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meeting. The company is required by the Companies Act 2006 to hold an annual general meeting each year. General meetings of shareholders may be called as necessary by the Directors and must be called promptly upon receipt of a requisition from shareholders. Under the Companies Act 2006, an annual general meeting must be called by notice of at least 21 clear days. A general meeting other than an annual general meeting may be called on not less than 14 clear days' notice provided a special resolution reducing the notice period to 14 clear days has been passed at the immediately preceding annual general meeting or a general meeting held since that annual general meeting. The Directors may determine that a general meeting shall be held as a physical meeting or in combination with an electronic platform or platforms that enables members to participate in the meeting without physically attending (an electronic general meeting).

(i) Conflicts of interest

The Directors may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his or her duty under the Companies Acts to avoid conflicts of interest (each a "Conflict"). A Director seeking authorisation in respect of a Conflict shall declare to the other Directors the nature and extent of his or her Conflict as soon as is reasonably practicable and shall provide the other Directors with such details of the matter as are necessary to decide how to address the Conflict. The board may resolve to authorise the relevant Director in relation to any matter the subject of a Conflict, save that the relevant Director and any other Director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority, and, if the other Directors so decide, shall be excluded from any meeting of the Directors while the Conflict is under consideration.

(j) Other Conflicts of Interest

Subject to the provisions of the Companies Acts, and provided the nature and extent of a Director's interest has been declared to the Directors, a Director may:

(i) be party to, or otherwise interested in, any contract with the company, or in which the company has a direct or indirect interest;

(ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including remuneration, as the Directors may decide;

(iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);

(iv) be or become a director of, or employed by, or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and

(v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as director of that other company.

No contract in which a Director is interested shall be liable to be avoided, and any Director who is so interested is not liable to account to the company or its shareholders for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established. However, no Director may vote on, or be counted in the quorum, in relation to any resolution of the board relating specifically to his or her own appointment (including remuneration) or the terms of his or her termination of appointment or relating to any contract in which he or she has an interest (subject to certain exceptions).

Subject to the Companies Acts, the company may by ordinary resolution suspend or relax to any extent the provisions relating to directors' interests or restrictions on voting or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(k) Directors' remuneration

Each of the Directors will be paid a fee at such rate as may from time to time be determined by the Directors, but the total fees paid to all of the directors for acting as directors (including amounts paid to any director who acts as chairman or is chairman of, or serves on any committee of the board of directors but excluding any amounts paid under any other provision of the Articles) shall not exceed the higher of:

(i) £3 million a year; and

(ii) any higher amount as the company may by ordinary resolution decide. Such fees may be satisfied in cash or in shares or any other non-cash form. Any Director who is appointed to any executive office, acts as Chairman, acts as senior independent director, acts as a scientific/medical expert on the board, is Chairman of, or serves on any committee of the Directors or performs any other services which the Directors consider to extend beyond the ordinary services of a Director shall be entitled to receive such remuneration (whether by way of salary, commission or otherwise) as the Directors may decide. Each Director may be paid reasonable travelling, hotel and other incidental expenses he or she incurs in attending and returning from meetings of the Directors or committees of the Directors, or general meetings of the company, or otherwise incurred in connection with the performance of his or her duties for the company.

(l) Pensions and gratuities for Directors

The Directors or any committee authorised by the Directors may provide benefits by the payment of gratuities, pensions or insurance or in any other manner for any Director or former Director or their relations, connected persons or dependants, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office or place of profit under the company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the company.

(m) Borrowing powers

Subject to the provisions of the Companies Act 2006, the Directors may exercise all the company's powers to borrow money; to mortgage or charge all or any of the company's undertaking, property (present and future), and uncalled capital; to issue debentures and

other securities; and to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

(n) Retirement and removal of Directors

A Director is subject to re-election at every annual general meeting of the company

In addition to any power of removal conferred by the Companies Acts the company may by special resolution remove any Director before the expiration of his or her period of office. No Director is required to retire by reason of his or her age, nor do any special formalities apply to the appointment or re-election of any Director who is over any age limit. No shareholding qualification for Directors shall be required.

(o) Vacation of office

The office of a director shall be vacated if:

(i) he resigns or offers to resign, and the board resolves to accept such offer;

(ii) his resignation is requested by all of the other directors and all of the other directors are not less than three in number;

(iii) he is or has been suffering from mental or physical ill health and the board resolves that his office be vacated;

(iv) he is absent without permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated;

(v) he becomes bankrupt or compounds with his creditors generally;

(vi) he is prohibited by law from being a director; or

(vii) he is removed from office pursuant to the Articles or the Companies Acts.

(p) Share rights

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the board may decide. Such rights and restrictions shall apply as if they were set out in the Articles. Redeemable shares may be issued, subject to any rights attached to existing shares. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if they were set out in the Articles. Subject to the articles, any resolution passed by the shareholders and other shareholders' rights, the Board may decide how to offer, allot, grant options over or otherwise deal with any shares in the company.

10.C Material contracts

Agreements with Novartis

On April 22, 2014, GSK and Novartis AG ("Novartis") entered into a three-part, inter-conditional transaction, pursuant to which they executed an implementation agreement, a contribution agreement relating to a consumer healthcare joint venture, a share and business sale agreement relating to the vaccines business of Novartis, a sale and purchase agreement relating to the oncology business of GSK, a put option deed relating to the influenza vaccines business of Novartis and a shareholders' agreement. GSK's shareholders approved the Transaction on December 18, 2014. The transaction closed on March 2, 2015.

Under the terms of the shareholders' agreement, Novartis had the right to require GSK to purchase its shares in the consumer healthcare joint venture. On March 27, 2018, GSK entered into a Put Option Implementation Agreement with, among others, Novartis and GlaxoSmithKline Consumer Healthcare Holdings Limited ("GSK Consumer Healthcare") (such agreement, as amended and supplemented on June 1, 2018 and July 30, 2018, the "Put Option Implementation Agreement"). Under the Put Option Implementation Agreement, Novartis agreed to the cancellation of its shares in GSK Consumer Healthcare in consideration for a payment of US$13 billion. On May 3, 2018, GSK's shareholders approved the transaction and the transaction was completed on June 1, 2018. Following cancellation of Novartis's shares, GSK acquired control of 100% of the shares in GSK Consumer Healthcare.

GSK continues to have obligations to pay further sales and milestone-based consideration to Novartis under the share and business sale agreement relating to the vaccines business of Novartis.

Agreement with Pfizer

On December 19, 2018, GSK, GSK Consumer Healthcare and Pfizer Inc. ("Pfizer") entered into a Stock and Asset Purchase Agreement (the "SAPA") pursuant to which the parties agreed to form a consumer healthcare joint venture through the acquisition by GSK Consumer Healthcare from Pfizer of Pfizer's consumer healthcare business and the transfer by GSK to GSK Consumer Healthcare of those parts of the GSK consumer healthcare business not already part of GSK Consumer Healthcare as of the date of the SAPA (with certain limited exceptions). As consideration for the acquisition of its consumer healthcare business, Pfizer will receive shares in GSK Consumer Healthcare representing a 32% ownership interest in the joint venture. GSK will retain a controlling interest in GSK Consumer Healthcare of 68%. The transaction is subject to customary closing conditions, including (i) receipt of approval by GSK's shareholders, (ii) receipt of all required antitrust approvals and clearances, (iii) no governmental orders restraining or otherwise prohibiting the transaction, (iv) the accuracy of certain representations and warranties by GSK and Pfizer, except where the failure to be true and correct would not have a material adverse effect and (v) compliance by the parties in all material respects with certain pre-completion covenants.

GSK, GSK Consumer Healthcare and Pfizer may also be required to make certain cash payments to the others at completion of the transaction (subject to a potential post-completion true-up) based on the level of working capital and net cash relative to specified targets. GSK has agreed to pay a termination fee of US$900 million to Pfizer if the SAPA is terminated due to: (i) GSK's board of directors having changed, withdrawn or qualified its recommendation to GSK's shareholders in relation to the transaction; (ii) GSK's shareholders having voted on the transaction and failed to approve it; or (iii) GSK's shareholders having failed to approve the transaction by September 30, 2019 (or, at either GSK's or Pfizer's option, December 31, 2019 or March 31, 2020 in the case of delayed required antitrust approvals).

Each of GSK and Pfizer has given customary and broadly reciprocal representations and warranties to each other under the SAPA. GSK and Pfizer have agreed to indemnify each other and GSK Consumer Healthcare (as applicable) in respect of losses (other than certain losses arising from tax matters, which are subject to a specific indemnity under the SAPA) relating to: (i) certain liabilities which the parties have agreed will be retained by GSK or Pfizer; (ii) any breach of their respective covenants or agreements under the SAPA or the related ancillary agreements implementing the SAPA; or (iii) any breach of their respective representations and warranties given under the SAPA or the related ancillary agreements implementing the SAPA as of the date of completion of the transaction. GSK Consumer Healthcare has agreed to indemnify GSK and Pfizer in respect of losses (other than certain losses arising from tax matters, which are subject to a specific indemnity under the SAPA) relating to: (i) liabilities which GSK Consumer Healthcare has agreed to assume in connection with the transaction; (ii) liabilities resulting from the conduct of GSK Consumer Healthcare's business other than those liabilities that GSK has agreed to retain in connection with the transaction; and (iii) any breach of GSK Consumer Healthcare's post-completion covenants or agreements under the SAPA or the related ancillary agreements implementing the SAPA.

Under the SAPA, GSK, Pfizer and GSK Consumer Healthcare have agreed the form of Shareholders' Agreement in relation to the consumer healthcare joint venture (the "Shareholders' Agreement"), which will be entered into by the parties upon completion of the transaction. Under the terms of the Shareholders' Agreement, GSK will have the right to appoint six directors to the board of the joint venture and the right to appoint the chair of the board of the joint venture, and Pfizer will have the right to appoint three directors to the board of the joint venture. The shareholders' agreement contains a list of customary reserved matters that may not be undertaken by the joint venture without the prior approval of Pfizer.

The joint venture will be permitted to make external borrowings up to an aggregate amount of £300 million, with external borrowings in excess of this level requiring Pfizer's consent. In the event that the joint venture requires additional funding, the funding will be requested from GSK and Pfizer pro rata to their respective shareholdings. GSK and Pfizer will each be entitled to provide all (but not some only) of its proportion of the requested funds, but neither party will be obliged to provide such funding. Dividends will be paid to the shareholders in proportion to their respective interests in ordinary shares, and all readily available cash in excess of an agreed base cash figure of £300 million will be distributed subject to the availability of distributable reserves, there being no outstanding shareholder loans and after the payment of any dividends required to be paid on certain low-coupon preference shares held by GSK.

Under the Shareholders' Agreement, each of GSK and Pfizer have agreed, subject to customary carve-outs, not to compete with the business of the consumer healthcare joint venture for a period of three years after completion of the transaction and not to acquire a business or interest in an entity in a competing business of the joint venture for six years after completion of the transaction.

At any time from completion of the transaction, GSK will have the right to require the listing and admission to trading of the shares of GSK Consumer Healthcare on the London Stock Exchange, the Nasdaq Stock Market or the New York Stock Exchange (a "Separation"). From five years from completion of the transaction, Pfizer will have the right to require a Separation. From 15 years after completion of the transaction, GSK will be entitled to require Pfizer to sell to GSK its entire shareholding in the consumer healthcare joint venture at a price reflecting the fully distributed public trading equity value of the joint venture at the relevant time. Neither GSK nor Pfizer may transfer its shares in the joint venture without the other's consent.

The Shareholders' Agreement will terminate immediately in the event that (i) only GSK or Pfizer remain holding shares in the joint venture or (ii) the shares of the joint venture have been listed and admitted to trading on a recognized stock exchange.

10.D Exchange controls

The information set forth under the heading "Exchange controls and other limitations affecting security holders" on page 251 of the GSK Annual Report 2018 is incorporated herein by reference.

10.E Taxation

The information set forth under the heading "Tax information for shareholders" on pages 254 to 255 of the GSK Annual Report 2018 is incorporated herein by reference.

10.F Dividends and paying agents

Not applicable.

10.G Statement by experts

Not applicable.

10.H Documents on display

The information set forth under the heading "Documents on display" on page 254 of the GSK Annual Report 2018 is incorporated herein by reference.

10.I Subsidiary information

Not applicable.

Item 11. **Quantitative and Qualitative Disclosures About Market Risk**

The information set forth under the headings:

- "Treasury policies" on pages 62 to 63; and
- "Note 42 – Financial instruments and related disclosures" on pages 198 to 211

of the GSK Annual Report 2018 is incorporated herein by reference.

Item 12. **Description of Securities Other than Equity Securities**

12.A Debt Securities

Not applicable.

12.B Warrants and Rights

Not applicable.

12.C Other Securities

Not applicable.

12.D American Depositary Shares

Fees and charges payable by ADR holders

The Bank of New York serves as the depositary (the "Depositary") for GSK's American Depositary Receipt ("ADR") programme. On April 6, 2015, GSK and the Depositary amended and restated the deposit agreement (the "Deposit Agreement") between GSK, the Depositary and owners and holders of ADRs. Pursuant to the Deposit Agreement, ADR holders may be required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. In particular, the Depositary, under the terms of the Deposit

Agreement, shall charge (i) a fee of $5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery and surrender of American Depositary Shares, (ii) a fee of $0.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, (iii) a fee for the distribution of securities other than cash or shares and (iv) a fee of $0.05 or less per American Depositary Share (or portion thereof) per annum for depositary services. In addition, the following charges shall be incurred by any party depositing or withdrawing Shares or surrendering ADRs or to whom American Depositary Shares are issued: (i) taxes and other governmental charges, (ii) such registration fees as may from time to time be in effect, (iii) certain cable, telex and facsimile transmission expenses, (iv) such expenses as are incurred by the Depositary in the conversion of foreign currency and (v) any other charges payable by the Depositary.

The Depositary may (i) withhold dividends or other distributions or sell any or all of the shares underlying the ADRs in order to satisfy any tax or governmental charge, (ii) deduct from any cash distribution any tax payable thereon or the cost of any currency conversion and (iii) collect any of its fees or charges by deduction from any cash distribution payable to ADR holders that are obligated to pay those fees or charges.

Direct and indirect payments by the Depositary

GSK receives payments from the Depositary in the form of (i) the reimbursement of expenses in connection with the administration, servicing and maintenance of the ADR programme, (ii) a portion of the fees collected by the Depositary for the issuance and cancellation of American Depositary Shares and (iii) a portion of any cash dividend fees and/or special dividend fees. In 2018, the Depositary made payments to GSK of approximately $9.1 million, of which approximately $2.1 million were related to expenses reimbursed and fees collected in connection with services provided in 2017.

Under certain circumstances, including removal of the Depositary or termination of the ADR programme by GSK, GSK is required to repay certain amounts paid to GSK and to compensate the Depositary for payments made or services provided on behalf of GSK.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

The information set forth under the heading “Internal framework for control and risk management developments” on pages 80 to 81 of the GSK Annual Report 2018 is incorporated herein by reference.

US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the New York Stock Exchange (the “NYSE”) in the form of American Depositary Shares.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the USA, provided that we explain any significant variations. This explanation is contained in Item 16.G of this Form 20-F. NYSE rules that came into effect in 2005 require us to file annual and interim written affirmations concerning the Audit & Risk Committee and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the USA, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the Securities and Exchange Commission (the “SEC”), the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the Audit & Risk Committee. It is chaired by the Company Secretary and the members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend its meetings periodically. It has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the GSK Annual Report 2018 and Form 20-F. In 2018 the Committee met 26 times.

Sarbanes-Oxley requires that this annual report on Form 20-F contain a statement as to whether a member of our Audit & Risk Committee (“ARC”) is an audit committee financial expert as defined by Sarbanes-Oxley. For a summary regarding the Board’s

judgment on this matter, please refer to Item 16.A below and to page 70 under “Judy Lewent,” “Skills and experience” and page 79 under “Judy Lewent, Audit & Risk Committee Chair” of the GSK Annual Report 2018.

Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley also introduced a requirement for the CEO and the CFO to complete formal certifications, confirming that:

- they have each reviewed the GSK Annual Report 2018 and Form 20-F;

- based on their knowledge, the GSK Annual Report 2018 and Form 20-F contain no material misstatements or omissions;
- based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the GSK Annual Report 2018 and Form 20-F;
- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the GSK Annual Report 2018 and Form 20-F;
- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- they have disclosed in the GSK Annual Report 2018 and Form 20-F any changes in internal controls over financial reporting during the period covered by the GSK Annual Report 2018 and Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting; and
- they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditors and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company's ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company's internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2018.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Group's evaluation, the CEO and CFO have concluded that, as at December 31, 2018, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that the Group files and submits under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarised and reported as and when required and that it is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure.

The CEO and CFO completed these certifications on March 15, 2019.

Section 404: Management's annual report on internal control over financial reporting.

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934):

- management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;
- management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- management has assessed the effectiveness of internal control over financial reporting, as at 31 December 2018 and has concluded that such internal control over financial reporting was effective. In addition, there have been no changes in the Group's internal control over financial reporting during 2018 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting; and
- Deloitte LLP, which has audited the consolidated financial statements of the Group for the year ended December 31, 2018, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard No. 2201 of the Public Company Accounting Oversight Board (United States). Their audit report can be found below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of GlaxoSmithKline plc

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of GlaxoSmithKline plc and subsidiaries (the "Company") as at 31 December 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at 31 December 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the year ended 31 December 2018, of the Company and our report dated 15 March 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's annual report on internal control over financial reporting" included in item 15 of the Form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

London, United Kingdom
15 March 2019

Item 16.A **Audit committee financial expert**

The information set forth under the heading:

- "Membership" within the "Audit & Risk Committee Report" on page 79; and
- "Sarbanes-Oxley Act of 2002" on page 258

of the GSK Annual Report 2018 is incorporated herein by reference.

Item 16.B **Code of Ethics**

The information set forth under the heading "Code of Conduct and reporting lines" on page 86 of the GSK Annual Report 2018 is incorporated herein by reference. You will find the Code of Conduct at this link: https://www.gsk.com/en-gb/about-us/policies-codes-and-standards/.

No waivers were granted from a provision of our code of ethics to an officer or person described in Item 16B(a) that relates to one or more of the items set forth in Item 16B(b) in 2017.

Item 16.C **Principal Accountant Fees and Services**

Audit Fees for 2016 and 2017 were paid to PricewaterhouseCoopers LLP and for 2018 were paid to Deloitte LLP.

16C(a) Audit Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the rows named "Audit of parent company and consolidated financial statements", "Audit of the company's subsidiaries" and "Attestation under s.404 of Sarbanes-Oxley Act 2002" in Note 8 – "Operating profit" on page 157 of the GSK Annual Report 2018 is incorporated herein by reference.

16C(b) Audit-Related Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the row named "Other assurance services" in Note 8 – "Operating profit" on page 157 of the GSK Annual Report 2018 is incorporated herein by reference. The other assurance services provided by the auditor relate to agreed upon procedures and other assurance services outside of statutory audit requirements.

16C(c) Tax Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the rows named "Taxation compliance" and "Taxation advice" in Note 8 – "Operating profit" on page 157 of the GSK Annual Report 2018 is incorporated herein by reference.

16C(d) All Other Fees

The information set forth in the table under the heading "Fees payable to the company's auditor and its associates" in the row named "All other services" in Note 8 – "Operating profit" on page 157 of the GSK Annual Report 2018 is incorporated herein by reference. All other services provided by the auditor primarily related to advisory services for the year-ended 31 December 2018.

16C(e) The information set forth under the heading "Non-audit services" on page 86 of the GSK Annual Report 2018 is incorporated herein by reference.

16C(f) Not applicable.

Item 16.D **Exemptions from the Listing Standards for Audit Committees**

Not applicable.

Item 16.E **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

Item 16.F **Change in Registrant's Certifying Accountant**

Not applicable.

Item 16.G **Corporate Governance**

Comparison of New York Stock Exchange Corporate Governance Standards and GlaxoSmithKline plc's corporate governance practice.

On November 4, 2003, the New York Stock Exchange (the "NYSE") adopted new corporate governance standards. The application of the NYSE's standards is restricted for foreign companies, recognizing that they have to comply with domestic requirements. As a foreign private issuer, GlaxoSmithKline plc ("GlaxoSmithKline" or the "Company") must comply with the following NYSE standards:

1. the Company must satisfy the audit committee requirements of the SEC;
2. the Chief Executive Officer (the "CEO") must promptly notify the NYSE in writing after any executive officer of the Company becomes aware of any non-compliance with any applicable provisions of the NYSE's corporate governance standards;
3. the Company must submit an annual affirmation to the NYSE affirming GlaxoSmithKline's compliance with applicable NYSE corporate governance standards, and submit interim affirmations to the NYSE notifying it of specified changes to the audit committee or a change to the status of the Company as a foreign private issuer; and
4. the Company must provide a brief description of any significant differences between its corporate governance practices and those followed by US companies under the NYSE listing standards.

As a Company listed on the London Stock Exchange, GlaxoSmithKline is required to comply with the UK Listing Authority's Listing Rules (the "Listing Rules") and to report non-compliance with the UK Corporate Governance Code (the "UK Code").

The table below discloses differences between GlaxoSmithKline's current domestic corporate governance practices, which are based on the UK Code, and the NYSE corporate governance standards, applicable to US companies.

NYSE Corporate Governance Standards	Description of differences between GlaxoSmithKline's governance practice and the NYSE Corporate Governance Standards
Director Independence (303A.01 of NYSE Manual)	
1. Listed companies must have a majority of independent directors (as defined in Exchange Act Rule 10A-3 under the U.S Securities Exchange Act of 1934, as amended (the "Exchange Act")).	GlaxoSmithKline complies with the equivalent domestic requirements contained in the UK Corporate Governance Code (the "UK Code"), the latest version of which was issued in July 2018.

The UK Code provides that the board of directors of GlaxoSmithKline (the "Board") and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of the service of the Board and membership should be regularly refreshed (Principle K). The Board should include an appropriate combination of Executive and Non-Executive Directors and, in particular, "independent" Non-Executive Directors (for the purpose of the UK Code) such that no individual or small group of individuals can dominate the Board's decision taking. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of GlaxoSmithKline's business (Principle G). At least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent (Provision 11). The roles of Chairman and Chief Executive should not be exercised by the same individual. If, exceptionally, this is proposed by the Board, major shareholders should be consulted ahead of appointment (Provision 9).

The Board considers that Vindi Banga, Dr Vivienne Cox, Lynn Elsenhans, Dr Laurie Glimcher, Dr Jesse Goodman, Judy Lewent, and Urs Rohner are independent for the purpose of the UK Code.

A majority of the Board members are independent Non-Executive Directors and, in accordance with the requirements of the UK Code, the Board has appointed one of the independent Non-Executive Directors as Senior Independent Director to provide a sounding board for the Chairman and act as an intermediary for other Directors and shareholders where necessary (Provision 12). In January 2012 the Board adopted a formal written role specification for the Senior Independent Director.

NYSE Independence Tests (303A.02 of the NYSE Manual)

2. In order to tighten the definition of "independent director" for purposes of these standards:

    (a) (i) No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).

    (ii) In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company's board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

(A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and

(B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

    (b) In addition, a director is not independent if:

        (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.

GlaxoSmithKline complies with the corresponding domestic requirements contained in the UK Code, which sets out the principles for GlaxoSmithKline to determine whether a director is independent.

The Board is required to determine and state its reasons for the determination of whether each Non-Executive Director is independent in character and judgment and whether there are relationships or circumstances which are likely to impair, or could appear to impair, the director's judgment. In undertaking this process, the Board is required, amongst other factors, to consider if the director:

(a) is or has been an employee of GlaxoSmithKline within the last five years;

(b) has, or has had within the last three years, a material business relationship with GlaxoSmithKline either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with GlaxoSmithKline;

(c) has received or receives additional remuneration from GlaxoSmithKline apart from a director's fee, participates in GlaxoSmithKline's share option or a performance-related pay scheme, or is a member of GlaxoSmithKline's pension scheme;

(d) has close family ties with any of GlaxoSmithKline's advisers, directors or senior employees;

(e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;

(f) represents a significant shareholder; or

(ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(g) has served on the Board for more than nine years from the date of his or her first appointment,

and is independent notwithstanding the existence of these relationships or circumstances (Provision 10).

The Board considers all its Non-Executive Directors to be independent in character and judgment and has concluded that all its Non-Executive Directors are independent within the meaning of the UK Code.

(iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time. (iv) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee. (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues. (For the purposes of these standards "executive officer" is defined to have the meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, the "Exchange Act").	The Chairman satisfied the independence criteria on appointment in accordance with the UK Code (Provision 9). The Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time (Provision 19). GlaxoSmithKline complied with the UK Code requirement, and its articles of association, that all Directors should be subject to annual election or re-election by shareholders (Provision 18) at its Annual General Meeting in 2018, and intends to comply with this requirement at its 2019 Annual General Meeting. The UK Code also provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees, the Chairman and individual Directors (Principle L and Provision 21). Annual evaluation of the Board should consider the Board's composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively (Principle L). GlaxoSmithKline has complied with this requirement. In addition, the annual evaluation of the Board should be externally facilitated at least every three years and a statement should be made as to whether an external facilitator has any other connection with GlaxoSmithKline and the external facilitator should be identified in the Annual Report (Provision 21). Internally facilitated evaluations were conducted in 2015, 2016 and 2018. GlaxoSmithKline conducted an externally facilitated evaluation in 2014 and 2017. The FRC's Guidance on Board Effectiveness ("Guidance") provides that all Directors should receive an induction on joining the Board and should regularly update and refresh their skills and knowledge. The Chairman should ensure that new Directors receive a full, formal and tailored induction on joining the Board (Guidance, para 61, 75-76 & 81). The Chairman should act on the results of the annual evaluation by recognising the strengths and addressing any weaknesses of the Board. Each Director should engage with this process and take appropriate action when development needs have been identified (Provision 22).
Executive Sessions (303A.03 of the NYSE Manual)	**Meetings**
3. To empower non-management directors to serve as a more effective check on management, the non-management directors of each listed company must meet at regularly scheduled executive sessions without management.	GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires the Chairman of GlaxoSmithKline to hold meetings with the Non-Executive Directors without executives present (Provision 13). The Non-Executive Directors, led by the Senior Independent Director, also meet at least annually without the Chairman present to appraise the Chairman's performance (Provision 12). The UK Code provides that the Chairman should promote a culture of openness and debate by facilitating the effective contribution of all Non-Executive Directors in particular, and constructive board relations between Executive and Non-Executive Directors (Principle F). In addition, the Chairman should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. The Chairman is responsible for ensuring that the Board as a whole has a clear understanding of the view of shareholders and stakeholders (Principle D and Provision 3). The board should also understand the views of GlaxoSmithKline's other key stakeholders and keep engagement mechanisms under review so that they remain effective (Provision 5).

Nominating / Corporate Governance Committee (303A.04 of the NYSE Manual)	Nominations Committee
4. (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. (b) The nominating/corporate governance committee must have a written charter that addresses:	GlaxoSmithKline complies with the corresponding domestic requirements set out in the UK Code, which requires GlaxoSmithKline to have a Nominations Committee that is comprised of a majority of independent Non-Executive Directors (Provision 17). GlaxoSmithKline's Nominations Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on GlaxoSmithKline's website and

(i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and (ii) an annual performance evaluation of the committee.	explain the Nominations Committee's role and the authority delegated to it by the Board (Guidance, para 63). The Nominations Committee reviews the structure, size, diversity (including gender diversity), and composition of the Board (evaluating the balance of skills, experience, independence and knowledge on the Board), leads the process for the appointment of members to the Board and the Corporate Executive Team (the "CET"), and makes recommendations to the Board as appropriate. The Nominations Committee also monitors the planning of succession for the Board and Senior Management (Provision 17). The terms and conditions of appointment of the Chairman and Non-Executive Directors are available for inspection (Guidance, para 96). The UK Code requires that a separate section in GlaxoSmithKline's Annual Report describes the work of the Nominations Committee in discharging its duties, including the process it has used in relation to Board appointments (Provision 20). An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the Annual Report and a statement should be made as to whether it has any other connection with GlaxoSmithKline (Provision 20). This section should include a description of the process used in relation to appointments, how board evaluation has been conducted, the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives, and the gender balance of those in the senior management and their direct reports (Provision 23). GlaxoSmithKline has complied with this requirement under the 2016 UK Code and will comply with this requirement as amended in the 2018 UK Code. As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees and individual Directors (Principle L). The Board is responsible for regularly reviewing its corporate governance standards and practices. The Company Secretary oversees corporate governance matters for the Group. The Company Secretary is responsible for advising the Board through the Chairman on all corporate governance matters (Provision 16). Domestic requirements do not mandate GlaxoSmithKline to establish a distinct corporate governance committee.
Compensation Committee (303A.05 of the NYSE Manual)	**Remuneration Committee**
5. (a) Listed companies must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements specific to compensation committee membership set forth in Section 2(a)(ii) in the Section titled "Independence Tests" above.	GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires GlaxoSmithKline to have a Remuneration Committee comprising at least three independent Non-Executive Directors (Provision 32).
(b) The compensation committee must have a written charter that addresses: (i) the committee's purpose and responsibilities – which, at a minimum, must be to have direct responsibility to: (A) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation; (B) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval; and (C) prepare the disclosure required by item 407(e)(5) or Regulation S-K under the Exchange Act;	GlaxoSmithKline's Remuneration Committee has written terms of reference in accordance with the UK Code, which explain the Remuneration Committee's role and the authority delegated to it by the Board and are available on GlaxoSmithKline's website (Guidance, para 63). The Remuneration Committee determines the terms of service and remuneration of the Executive Directors and members of the CET and, with the assistance of external independent advisers, it evaluates and makes recommendations to the Board on overall executive remuneration policy (the Chairman and the CEO are responsible for evaluating and making recommendations to the Board on the remuneration of Non-Executive Directors). It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration (Provision 33). Where remuneration consultants are appointed, they should be identified in the Annual Report and a statement should be made as to whether they have any other connection with GlaxoSmithKline (Provision 35).

(ii) an annual performance evaluation of the compensation committee.

(iii) The rights and responsibilities of the compensation committee set forth in Section 303A.05(c).

(c)(i) The compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.

(ii) The compensation committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the compensation committee.

(iii) The listed company must provide for appropriate funding, as determined by the compensation committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the compensation committee.

(iv) The compensation committee may select a compensation consultant, legal counsel or other adviser to the compensation committee only after taking into consideration, all factors relevant to that person's independence from management, including the following:

(A) The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;

(B) The amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

(C) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

(D) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;

(E) Any stock of the listed company owned by the compensation consultant, legal counsel or other adviser; and

(F) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.

The UK Code provides that the Remuneration Committee:

(a) should take care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management, or consulting the Chief Executive about its proposals (Provision 35 & Guidance, para 129) and should have delegated responsibility for setting remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments (Provision 33);

(b) should recommend and monitor the level and structure of remuneration for senior management (Provision 33);

(c) should consider the pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particular for Directors close to retirement (Provision 38);

(d) should ensure that compensation commitments in Directors' terms of appointment do not reward poor performance (Provision 39). Remuneration schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. A formal policy should be developed for post-employment shareholding requirements encompassing both unvested and vested shares (Provision 36). Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes and include provisions that would enable GlaxoSmithKline to recover and/or withhold sums or share awards specifying the circumstances in which it would be appropriate to do so (Provision 37); and

(e) when determining Executive Director remuneration policy and practices, ensure that: (i) remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce; (ii) the operation and rationale of remuneration structures are easy to understand; (iii) remuneration arrangements identify and mitigate reputational and other risks from excessive rewards and behavioural risks that can arise from target-based incentive plans; (iv) the range of possible values of rewards to individual Directors and any other limits or discretions are identified and explained at the time of approving the policy; (v) the link between individual awards, the delivery of strategy and the long-term performance of GlaxoSmithKline should be clear; and (vi) incentive schemes should drive behaviours consistent with company purpose, values and strategy (Provision 40).

The UK Code requires that remuneration of Non-Executive Directors should not include share options or other performance-related elements, but should reflect the time commitment and responsibilities of the role (Provision 34).

The UK Code requires that notice or contract periods should be one year or less (Provision 39).

As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees (Principle L).

Audit Committee (303A.06 and 303A.07 of the NYSE Manual)	Audit & Risk Committee
6. Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	GlaxoSmithKline complies with equivalent domestic requirements set out in the UK Code, which requires that GlaxoSmithKline has an Audit & Risk Committee that is comprised of at least three independent Non-Executive Directors (Provision 24). GlaxoSmithKline considers all members of the Audit & Risk Committee to be independent. The Board has also satisfied itself, in line with the UK Code, that at least one member of the Audit & Risk Committee has recent and relevant financial experience and that the Audit & Risk Committee as a whole has competence relevant to the sector in which GlaxoSmithKline operates (Provision 24).

The UK Code requires the Audit & Risk Committee to:

(a) monitor the integrity of the financial statements of GlaxoSmithKline and any formal announcements relating to GlaxoSmithKline's financial performance, reviewing significant financial reporting judgments contained in them (Provision 25);

(b) provide advice (where requested by the Board) on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess GlaxoSmithKline's position and performance, business model and strategy (Provision 25);

(c) review GlaxoSmithKline's internal financial controls and internal control and risk management systems (Provision 25);

(d) monitor and review the effectiveness of GlaxoSmithKline's internal audit function (Provision 25);

(e) conduct the tender process and make recommendations to the Board, regarding the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor (Provision 25);

(f) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements (Provision 25);

(g) develop and implement policy on the engagement of external auditors to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board on any improvement or action required (Provision 25);

(h) report to the Board on how it has discharged its responsibilities (Provision 25); and

(i) review arrangements by which the staff of GlaxoSmithKline may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (Provision 6).

GlaxoSmithKline's Audit & Risk Committee meets the requirements of Rule 10A-3 in that:

- each member of the Audit & Risk Committee is deemed to be "independent" in accordance with the Securities Exchange Act of 1934, as amended, and applicable NYSE and UK requirements;

- the Audit & Risk Committee, amongst other things, is responsible for recommending the appointment, compensation, maintenance of independence and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for GlaxoSmithKline, and each such accounting firm must report directly to the Audit & Risk Committee;
- the Audit & Risk Committee has established a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- the Audit & Risk Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- GlaxoSmithKline must provide appropriate funding for the Audit & Risk Committee.

The Board has determined that Judy Lewent has the appropriate qualifications and background to be an "Audit Committee Financial Expert" as defined in rules promulgated by the SEC under the Exchange Act.

7. (a) The audit committee must have a minimum of three members. All audit committee members must satisfy the requirements for independence set out in Section 303A.02 and, in the absence of an applicable exemption, Rule 10A-3(b)(1) under the Exchange Act.

   (b) The audit committee must have a written charter that addresses:

   (i) the committee's purpose – which, at minimum, must be to:

   (A) assist board oversight of (1) the integrity of the listed company's financial statements, (2) the listed company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the listed company's internal audit function and independent auditors (if the listed company does not yet have an internal audit function because it is availing itself of a transition period pursuant to Section 303A.00, the charter must provide that the committee will assist board oversight of the design and implementation of the internal audit function); and

   (B) prepare disclosure regarding the audit committee's review and discussion of financial statements and certain other audit matters with management and auditors

   (ii) the committee's responsibility to conduct an annual performance evaluation of the audit committee; and

   (iii) the duties and responsibilities of the audit committee – which, at a minimum, must include those set out in Rule 10A-3(b)(2), (3), (4) and (5) of the Exchange Act as well as to:

   (A) at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company;

   (B) meet to review and discuss the listed company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including reviewing the listed company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";

   (C) discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

   (D) discuss policies with respect to risk assessment and risk management;

   (E) meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors;

   (F) review with the independent auditor any audit problems or difficulties and management's response;

   (G) set clear hiring policies for employees or former employees of the independent auditors; and

   (H) report regularly to the board of directors.

   (c) Each listed company must have an internal audit function.

GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires that the Audit & Risk Committee should be comprised of a minimum of three independent Non-Executive Directors (Provision 24).

GlaxoSmithKline's Audit & Risk Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on GlaxoSmithKline's website and explain the Audit & Risk Committee's role and the authority delegated to it by the Board (Guidance, para 63).

The Audit & Risk Committee's main responsibilities include monitoring and reviewing the financial reporting process, the system of internal control and risk management, overseeing the identification and management of risks, the external and internal process and for monitoring compliance with laws, regulations and ethical codes of practice, including review throughout the year of integrated assurance reports comprising business unit and associated consolidated internal audit reports (Provision 25). Where requested by the Board, the Audit & Risk Committee should provide advice on:

- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess GlaxoSmithKline's performance, business model and strategy (Principle M & Provision 27); and
- when taking into account GlaxoSmithKline's position and principal risks, how the prospects of GlaxoSmithKline have been assessed, over what period and why the period is regarded as appropriate. The Audit & Risk Committee should also advise whether there is a reasonable expectation that GlaxoSmithKline will be able to continue in operation and meet its liabilities when falling due over the said period, drawing attention to any qualifications or assumptions as necessary prior to the directors making their statement in the annual report (Provision 31).

The UK Code requires that a separate section of the Annual Report should describe the work of the Audit & Risk Committee in discharging its responsibilities (Provision 26).

The Annual Report should include:

- the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed (Provision 26);
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans (Provision 26); and
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded (Provision 26).

Please see section 6 above for a description of the main role and responsibilities of the Audit & Risk Committee.

In accordance with the UK Code (Provision 25), the Audit & Risk Committee monitors and reviews the effectiveness of GlaxoSmithKline's internal audit function.

8. Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans.	GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules, which mandate that GlaxoSmithKline must seek shareholder approval for employee share schemes and significant changes to existing schemes, save in circumstances permitted by the Listing Rules (Listing Rule 9.4). Please see section 5(d) above.

	Corporate Governance Guidelines (303A.09 of the NYSE Manual)	
9.	Listed companies must adopt and disclose corporate governance guidelines.	GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules and the UK Code, which require that GlaxoSmithKline includes an explanation in its Annual Report of how it complies with the principles of the UK Code and a confirmation that it complies with the UK Code's provisions or, where it does not, provide an explanation of how and why it does not comply (Listing Rule 9.8.6). In addition, GlaxoSmithKline is required to make certain mandatory corporate governance statements in the Directors' Report in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules, DTR 7. GlaxoSmithKline will comply with these requirements in its 2018 Annual Report.
	Code of Business Conduct and Ethics (303A.10 of the NYSE Manual)	**Code of Conduct**
10.	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	GlaxoSmithKline's Code of Conduct for all employees, including the CEO, CFO and other senior financial officers, is available on GlaxoSmithKline's website.
	Foreign Private Issuer Disclosure (303A.11 of the NYSE Manual)	
11.	Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards.	GlaxoSmithKline fulfils this requirement by publishing this document.
	Listed foreign private issuers are required to provide this disclosure in the English language and in their annual reports filed on Form 20-F.	GlaxoSmithKline fulfils this requirement by including this disclosure in its Annual Report on Form 20-F.
12.	**Certification Requirements (303A.12 of the NYSE Manual)**	
	Each listed company and its CEO must file certain annual and interim certifications regarding compliance with the corporate governance requirements and certain other matters (although foreign private issuers are only required to comply with a subset of these requirements).	GlaxoSmithKline fulfils this requirement by filing the required certifications each year.

Item 16.H **Mine Safety Disclosure**

Not applicable.

PART III

Item 17 **Financial Statements**

Not applicable.

Item 18 **Financial Statements**

The information set forth under the headings:

- "Consolidated income statement" on page 140;
- "Consolidated statement of comprehensive income" on page 140
- "Consolidated balance sheet" on page 141;
- "Consolidated statement of changes in equity" on page 142;
- "Consolidated cash flow statement" on page 143; and
- "Notes to the financial statements" on pages 144 to 218

of the GSK Annual Report 2018 is incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of GlaxoSmithKline plc

Opinion on the Financial Statements

We have audited the consolidated balance sheet of GlaxoSmithKline plc and subsidiaries (the "Company") as at 31 December 2018, the related consolidated income statement, statement of comprehensive income, statement of changes in equity, and cash flows statement, for the year ended 31 December 2018, and the related notes, included in Exhibit 15.3 on pages 140 to 218 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as at 31 December 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 15 March 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

London, United Kingdom
15 March 2019

The first accounting period we audited was 31 December 2018. In 2017, we began preparing for audit firm transition.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of GlaxoSmithKline plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of GlaxoSmithKline plc and its subsidiaries (the "Company") as of 31 December 2017 and the related consolidated income statements, consolidated cash flow statements, consolidated statements of comprehensive income and consolidated statements of changes in equity for each of the two years in the period ended 31 December 2017, including the related notes, included in Exhibit 15.3 on pages 140 to 218 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017 and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
16 March 2018

We served as the Company or its merged predecessors' auditor from 1977 to 2017. Since at least 1974, we also served as auditor of a company acquired by a merged predecessor of the Company.

Item 19 **Exhibits**

1.1	Articles of Association of the Registrant as in effect on the date hereof.
2.1	Amended and Restated Deposit Agreement among the Registrant and The Bank of New York Mellon, as Depositary, and the owners and holders from time to time of the American Depositary Shares issued thereunder, including the form of American Depositary Receipt, is incorporated by reference to the post-effective amendment to the Registration Statement on Form F-6 (No. 333-148017) filed with the Commission on March 30, 2015.
4.1	UK Service Agreement between GlaxoSmithKline Services Unlimited and Simon Dingemans dated September 8, 2010 is incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 4, 2011.
4.2	UK Service Agreement between GlaxoSmithKline Services Unlimited and Patrick John Thompson Vallance dated December 19, 2016 is incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 17, 2017.
4.3	UK Service Agreement between GlaxoSmithKline Services Unlimited and Emma N. Walmsley dated March 29, 2017.
4.4	UK Service Agreement between GlaxoSmithKline LLC and Hal V. Barron dated December 16, 2017.
4.5	UK Service Agreement between GlaxoSmithKline Services Unlimited and Iain Mackay dated 18 September 2018.
4.6	Share and Business Sale Agreement relating to the Vaccines Group made on April 22, 2014, as amended and restated on May 29, 2014, as amended on October 9, 2014, and as further amended and restated on March 1, 2015, between Novartis AG and GlaxoSmithKline plc is incorporated by reference to Exhibit 4.9 of the Registrant's Annual Report on Form 20-F filed with the Commission on March 18, 2016. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
4.7	Put Option Implementation Agreement relating to the cancellation of Novartis' shares in GlaxoSmithKline Consumer Healthcare Holdings Limited dated March 27, 2018. Between GlaxoSmithKline plc, Setfirst Limited, Novartis AG, Novartis Holding AG, Novartis Finance Corporation and GlaxoSmithKline Consumer Healthcare Holdings Limited.
4.8	Amendment letter dated June 1, 2018 to the Put Option Implementation Agreement.
4.9	Amendment letter dated July 30, 2018 to the Put Option Implementation Agreement.
4.10	Stock and Asset Purchase Agreement by and among Pfizer Inc., GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited dated as of December 19, 2018. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
8.1	A list of the Registrant's principal subsidiaries is incorporated by reference to the information set forth under "Group Companies" 260 to 270 of the GSK Annual Report 2018 included as Exhibit 15.3.
12.1	Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Emma Walmsley.
12.2	Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Simon Dingemans.
13.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
15.1	Consent of PricewaterhouseCoopers LLP.
15.2	Consent of Deloitte LLP.
15.3*	GSK Annual Report 2018.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Certain of the information included within Exhibit 15.3, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified elsewhere in this Form 20-F. With the exception of the items and pages so specified, the GSK Annual Report 2018 is not deemed to be filed as part of this Form 20-F.

** In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GlaxoSmithKline plc

March 15, 2019

By: /s/ Simon Dingemans
Simon Dingemans
Chief Financial Officer

Exhibit 1.1

Company No. 3888792

ARTICLES OF ASSOCIATION

(As adopted by Special Resolution passed on 3 May 2018)

OF

GlaxoSmithKline plc

Company No. 3888792

ARTICLES OF ASSOCIATION

(As adopted by Special Resolution passed on 3 May 2018)

OF

GLAXOSMITHKLINE PLC

CONTENTS

ARTICLES OF ASSOCIATION

of

GLAXOSMITHKLINE PLC

(adopted by Special Resolution passed on 3 May 2018)

Interpretation

1. Exclusion of Model Articles

No articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies shall apply as the articles of the company.

2. Definitions

In these articles unless the context otherwise requires:

"**address**" includes a number or address used for the purposes of sending or receiving documents or information by electronic means;

"**these articles**" means these articles of association as altered from time to time and the expression "**this article**" shall be construed accordingly;

"**associated company**" means any company (i) which is the company's holding company or (ii) in which the company or its holding company or any of the predecessors of the company or of such holding company has any interest whether direct or indirect or (iii) which is in any way allied to or associated with the company or its holding company or any of the predecessors of the company or of such holding company, of (iv) which is a subsidiary undertaking or any other associated company;

"**the auditors**" means the auditors from time to time of the company or, in the case of joint auditors, any one of them;

"**the Bank of England base rate**" means the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998;

"**the board**" means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

"**certificated share**" means a share which is not an uncertificated share and references in these articles to a share being held in certificated form shall be construed accordingly;

"**clear days**" in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect;

"**the Companies Acts**" means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company;

"**the holder**" in relation to any shares means the person whose name is entered in the register as the holder of those shares;

"**the office**" means the registered office from time to time of the company;

"**paid up**" means paid up or credited as paid up;

"**participating class**" means a class of shares title to which is permitted by an Operator to be transferred by means of a relevant system;

"**person entitled by transmission**" means a person whose entitlement to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law has been noted in the register;

"**place**" means, in relation to a general meeting or annual general meeting, the place of a physical meeting or the electronic platform specified by the board in relation to an electronic general meeting and, where relevant, references to the place of a general meeting or annual general meeting include any combination of two or more such places;

"**the register**" means the register of members of the company;

"**seal**" means any common or official seal that the company may be permitted to have under the Companies Acts;

"**the secretary**" means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the board to perform any of the duties of the secretary;

"**the uncertificated securities rules**" means any provision of the Companies Acts relating to the holding, evidencing of title to, or transfer of uncertificated shares and any legislation, rules or other arrangements made under or by virtue of such provision;

"**uncertificated share**" means a share of a class which is at the relevant time a participating class, title to which is recorded on the register as being held in uncertificated form and references in these articles to a share being held in uncertificated form shall be construed accordingly;

"**United Kingdom**" means Great Britain and Northern Ireland;

references to a person being "**present**" at or "**attending**" a general meeting or annual general meeting means present at a physical meeting or participating via the electronic platform specified by the board in relation to that meeting, and references to "**absence**", "**refuse entry**" and "**eject**" shall be read accordingly;

references to a document being **signed** or to **signature** include references to its being executed under hand or under seal or by any other method and, in the case of a communication in electronic form, such references are to its being authenticated as specified by the Companies Acts;

references to **writing** include references to any method of representing or reproducing words in a legible and non-transitory form whether sent or supplied in electronic form or otherwise and **written** shall be construed accordingly;

words or expressions to which a particular meaning is given by the Companies Acts in force when these articles or any part of these articles are adopted bear (if not inconsistent with the subject matter or context) the same meaning in these articles or that part (as the case may be) save that the word "**company**" shall include any body corporate; and

references to a **meeting** shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.

Headings are included only for convenience and shall not affect meaning.

3. Limited Liability

The liability of members of the company is limited to the amount, if any, unpaid on the shares in the company held by them.

4. Change of Name

The company may change its name by resolution of the board.

Share Capital

5. Rights Attached to Shares

Subject to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide. Such rights and restrictions shall apply to the relevant shares as if the same were set out in these articles.

6. Redeemable Shares

Subject to any rights attached to existing shares, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the company or the holder. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in these articles.

7. Variation of Rights

Subject to the provisions of the Companies Acts, all or any of the rights attached to any existing class of shares may from time to time (whether or not the company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. All the provisions of these articles as to general meetings of the company shall, with any necessary modifications, apply to any such separate general meeting, but so that the necessary quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting one holder entitled to vote and present in person or by proxy (whatever the number of shares held by him) shall be a quorum). The foregoing provisions of this article shall apply to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

8. Pari Passu Issues

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

9. Shares

Subject to the provisions of these articles and to any resolution passed by the company and without prejudice to any rights attached to existing shares, the board may offer, allot, grant options over or otherwise deal with or dispose of shares in the company to such persons, at such times and for such consideration and upon such terms as the board may decide.

10. Payment of Commission

The company may in connection with the issue of any shares or the sale for cash of treasury shares exercise all powers of paying commission and brokerage conferred or permitted by the Companies Acts. Any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly-paid shares or other securities or partly in one way and partly in the other.

11. Trusts Not Recognised

Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the company as holding any share upon any trust and the company shall not be bound by or required in any way to recognise (even when having notice of it) any interest in any share or (except only as by these articles or by law otherwise provided) any other right in respect of any share other than an absolute right to the whole of the share in the holder.

12. Suspension of Rights Where Non-Disclosure of Interest

(A) Where the holder of any shares in the company, or any other person appearing to be interested in those shares, fails to comply within the relevant period with any statutory notice in respect of those shares or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the company may give the holder of those shares a further notice (a "**restriction notice**") to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions, and from service of the restriction notice those shares shall, notwithstanding any other provision of these articles, be subject to those relevant restrictions accordingly. For the purpose of enforcing the relevant restriction referred to in sub-paragraph (iii) of the definition of "relevant restrictions", the board may give notice to the relevant member requiring the member to change the relevant shares held in uncertificated form to certificated form by the time stated in the notice and to keep them in certificated form for as long as the board requires. The notice may also state that the member may not change any of the relevant shares held in certificated form to uncertificated form. If the member does not comply with the notice, the board may authorise any person to instruct the Operator to change the relevant shares held in uncertificated form to certificated form.

(B) If after the service of a restriction notice in respect of any shares the board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the company shall, within seven days, cancel the restriction notice. The company may at any time at its discretion cancel any restriction notice or exclude any shares from it. The company shall cancel a restriction notice within seven days after receipt of a notice in writing that the relevant shares have been transferred pursuant to an arm's length sale.

(C) Where any restriction notice is cancelled or ceases to have effect in relation to any shares, any moneys relating to those shares which were withheld by reason of that notice shall be paid without interest to the person who would but for the notice have been entitled to them or as he may direct.

(D) Any new shares in the company issued in right of any shares subject to a restriction notice shall also be subject to the restriction notice, and the board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.

(E) Any holder of shares on whom a restriction notice has been served may at any time request the company to give in writing the reason why the restriction notice has been served, or why it remains uncancelled, and within 14 days of receipt of such a notice the company shall give that information accordingly.

(F) Where a person appearing to be interested in shares has been served with a statutory notice and the shares in which he appears to be interested are held by an Approved Depositary, this article applies only to those shares which are held by the Approved Depositary in which that person appears to be interested and not (so far as that person's apparent interest is concerned) to any other shares held by the Approved Depositary.

(G) Where a member who is an Approved Depositary has been served with a statutory notice, the obligations of that member will be limited to disclosing to the company information relating to any person who appears to be interested in the shares held by it which has been recorded by it in accordance with the arrangement under which it was appointed as an Approved Depositary.

(H) If a statutory notice is given by the company to a person appearing to be interested in any share, a copy shall at the same time be given to the holder, but the failure or omission to do so or the non-receipt of the copy by the holder shall not invalidate such notice.

(I) This article is in addition to, and shall not in any way prejudice or affect, the statutory rights of the company arising from any failure by any person to give any information required by a statutory notice within the time specified in it. For the purpose of this article a statutory notice need not specify the relevant period, and may require any information to be given before the expiry of the relevant period.

(J) In this article:

a sale is an "**arm's length sale**" if the board is satisfied that it is a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the holder or with any person appearing to be interested in such shares and shall include a sale made by way of or in pursuance of acceptance of a takeover offer and a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom. For this purpose an associate (within the definition of that expression in any statute relating to insolvency in force at the date of adoption of this article) shall be included amongst the persons who are connected with the holder or any person appearing to be interested in such shares;

"**person appearing to be interested**" in any shares shall mean any person named in a response to a statutory notice or otherwise notified to the company by a member as being so interested or shown in any register or record kept by the company under the Companies Acts as so interested or, taking into account a response or failure to respond in the light of the response to any other statutory notice and any other relevant information in the possession of the company, any person whom the company knows or has reasonable cause to believe is or may be so interested;

"**person with a 0.25 per cent. interest**" means a person who holds, or is shown in any register or record kept by the company under the Companies Acts as having an interest in, shares in the company which comprise in total at least 0.25 per cent. in number or nominal value of the shares of the company (calculated exclusive of any shares held as treasury shares), or of any class of such shares (calculated exclusive of any shares of that class held as treasury shares), in issue at the date of service of the restriction notice;

"**relevant period**" means a period of 14 days following service of a statutory notice;

"**relevant restrictions**" mean in the case of a restriction notice served on a person with a 0.25 per cent. interest that:

(i) the shares shall not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings;

(ii) the board may withhold payment of all or any part of any dividends or other moneys payable in respect of the shares and the holder shall not be entitled to receive shares in lieu of dividend;

(iii) the board may decline to register a transfer of any of the shares which are certificated shares, unless such a transfer is pursuant to an arm's length sale,

and in any other case mean only the restriction specified in sub-paragraph (i) of this definition; and

"**statutory notice**" means a notice served by the company under the Companies Acts requiring particulars of interests in shares or of the identity of persons interested in shares.

13. Uncertificated Shares

(A) Pursuant and subject to the uncertificated securities rules, the board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The board may also, subject to compliance with the uncertificated securities rules, determine at any time that title to any class of shares may from a date specified by the board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.

(B) In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these articles shall apply or have effect to the extent that it is inconsistent in any respect with:

(i) the holding of shares of that class in uncertificated form;

(ii) the transfer of title to shares of that class by means of a relevant system; and

(iii) any provision of the uncertificated securities rules,

and, without prejudice to the generality of this article, no provision of these articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the Operator, so long as that is permitted or required by the uncertificated securities rules, of an Operator register of securities in respect of that class of shares in uncertificated form.

(C) Shares of a class which is at the relevant time a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the uncertificated securities rules.

(D) If, under these articles or the Companies Acts, the company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated share, then, subject to these articles and the Companies Acts, such entitlement shall include the right of the board to:

(i) require the holder of that uncertificated share by notice in writing to change that share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the board requires;

(ii) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such share as may be required to effect the transfer of such share and such steps shall be as effective as they had been taken by the registered holder of that share; and

(iii) take such other action that the board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.

(E) Unless the board otherwise determines, shares which a member holds in uncertificated form shall be treated as separate holdings from any shares which that member holds in certificated form. However shares held in uncertificated form shall not be treated as forming a class which is separate from certificated shares with the same rights.

(F) Unless the board otherwise determines or the uncertificated securities rules otherwise require, any shares issued or created out of or in respect of any uncertificated shares shall be uncertificated shares and any shares issued or created out of or in respect of any certificated shares shall be certificated shares.

(G) The company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the uncertificated securities rules and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the company in reliance on such assumption; in particular, any provision of these articles which requires or envisages that action will be taken in reliance on information contained in the register shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

14. Right to Share Certificates

Every person (except a person to whom the company is not by law required to issue a certificate) whose name is entered in the register as a holder of any certificated shares shall be entitled, without payment, to receive within the time limits prescribed by the Companies Acts (or, if earlier, within any prescribed time limit or within a time specified when the shares were issued) one certificate for all those shares of any one class. In the case of a certificated share held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all. A member who transfers some but not all of the shares comprised in a certificate shall be entitled to a certificate for the balance without charge to the extent the balance is to be held in certificated form.

15. Replacement of Share Certificates

If a share certificate is defaced, worn out, lost or destroyed, it may be replaced on such terms (if any) as to evidence and indemnity as the board may decide and, where it is defaced or worn out, after delivery of the old certificate to the company. Any two or more certificates representing shares of any one class held by any member shall at his request be cancelled and a single new certificate for such shares issued in lieu. Any certificate representing shares of any one class held by any member may at his request be cancelled and two or more certificates for such shares may be issued instead. The board may require the payment of any exceptional out-of-pocket expenses of the company incurred in connection with the issue of any certificates under this article. Any one of two or more joint holders may request replacement certificates under this article.

16. Share Certificates Sent at Holder's Risk

Every share certificate sent in accordance with these articles will be sent at the risk of the member or other person entitled to the certificate. The company will not be responsible for any share certificate lost or delayed in the course of delivery.

17. Execution of Share Certificates

Every share certificate shall be executed under a seal or in such other manner as the board, having regard to the terms of issue and any listing requirements, may authorise and shall specify the number and class of the shares to which it relates and the amount or respective amounts paid up on the shares. The board may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them or that the certificates need not be signed by any person.

Lien

18. Company's Lien on Shares Not Fully Paid

The company shall have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the company (whether presently or not) in respect of that share. The company's lien on a share shall extend to every amount payable in respect of it. The board may at any time either generally or in any particular case waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this article.

19. Enforcing Lien by Sale

The company may sell, in such manner as the board may decide, any share on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after a notice has been served on the holder of the share or the person who is entitled by transmission to the share, demanding payment and stating that if the notice is not complied with the share may be sold. For giving effect to the sale the board may authorise some person to sign an instrument of transfer of the share sold to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in relation to the sale.

20. Application of Proceeds of Sale

The net proceeds, after payment of the costs, of the sale by the company of any share on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as it is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale and upon surrender, if required by the company, for cancellation of the certificate for the share sold) be paid to the person who was entitled to the share at the time of the sale.

Calls on Shares

21. Calls

Subject to the terms of issue, the board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not payable on a date fixed by or in accordance with the terms of issue, and each member shall (subject to the company serving upon him at least 14 clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed, in whole or in part, as the board may decide. A person upon whom a call is made shall remain liable jointly and severally with the successors in title to his shares for all calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

22. Timing of Calls

A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

23. Liability of Joint Holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.

24. Interest Due on Non-Payment

If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it is due and payable to the time of actual payment at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide, and all expenses that have been incurred by the company by reason of such non-payment, but the board shall be at liberty in any case or cases to waive payment of the interest or expenses wholly or in part.

25. Sums Due on Allotment Treated as Calls

Any amount which becomes payable in respect of a share on allotment or on any other date fixed by or in accordance with the terms of issue, whether in respect of the nominal amount of the share or by way of premium or as an instalment of a call, shall be deemed to be a call and, if it is not paid, all the provisions of these articles shall apply as if the sum had become due and payable by virtue of a call.

26. Power to Differentiate

The board may on or before the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

27. Payment of Calls in Advance

The board may, if it thinks fit, receive from any member who is willing to advance them all or any part of the moneys uncalled and unpaid upon any shares held by him and on all or any of the moneys so advanced may (until they would, but for the advance, become presently payable) pay interest at such rate (not exceeding the Bank of England base rate by more than five percentage points, unless the company by ordinary resolution shall otherwise direct) as the board may decide.

Forfeiture of Shares

28. Notice if Call or Instalment Not Paid

If any call or instalment of a call remains unpaid on any share after the day appointed for payment, the board may at any time serve a notice on the holder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the company by reason of such non-payment.

29. Form of Notice

The notice shall name a further day (not being less than 14 clear days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that in the event of non-payment on or before the day and at the place appointed, the shares in respect of which the call has been made or instalment is payable will be liable to be forfeited.

30. Forfeiture for Non-Compliance with Notice

If the notice is not complied with, any share in respect of which it was given may, at any time before payment of all calls or instalments and interest and expenses due in respect of it have been made, be forfeited by a resolution of the board to that effect and the forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited shares and not paid before the forfeiture. The board may accept the surrender of any share liable to be forfeited and, in that event, references in these articles to forfeiture shall include surrender.

31. Notice after Forfeiture

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share but no forfeiture shall be invalidated by any omission or neglect to give notice.

32. Sale of Forfeited Shares

Until cancelled in accordance with the requirements of the Companies Acts, a forfeited share shall be deemed to be the property of the company and may be sold or otherwise disposed of either to the person who was, before forfeiture, the holder or to any other person upon such terms and in such manner as the board shall decide. The board may for the purposes of the disposal authorise some person to sign an instrument of transfer to the designated transferee. The company may receive the consideration (if any) given for the share on its disposal. At any time before a sale or disposition the forfeiture may be cancelled by the board on such terms as the board may decide.

33. Arrears to be Paid Notwithstanding Forfeiture

A person whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the forfeited shares but shall remain liable to pay to the company all moneys which at the date of the forfeiture were payable by him to the company in respect of those shares with interest thereon at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide from the date of forfeiture until payment, and the company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited or for any consideration received on their disposal.

34. Statutory Declaration as to Forfeiture

A statutory declaration that the declarant is a director of the company or the secretary and that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share. The declaration shall (subject to the signing of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is sold or otherwise disposed of shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale or disposal.

Transfer of Shares

35. Transfer

(A) Subject to such of the restrictions of these articles as may be applicable:

(i) any member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided in, the uncertificated securities rules, and accordingly no provision of these articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the share to be transferred; and

(ii) any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve.

(B) The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it.

36. Signing of Transfer

The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. All instruments of transfer, when registered, may be retained by the company.

37. Rights to Decline Registration of Partly Paid Shares

The board can decline to register any transfer of any share which is not a fully paid share.

38. Other Rights to Decline Registration

(A) Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

(B) The board may decline to register any transfer of a certificated share unless:

(i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is left at the office or such other place as the board may from time to time determine accompanied (save in the case of a transfer by a person to whom the company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the person signing the instrument of transfer to make the transfer and, if the instrument of transfer is signed by some other person on his behalf, the authority of that person so to do;

(ii) the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

(C) For all purposes of these articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

39. No Fee for Registration

No fee shall be charged by the company for registering any transfer, document or instruction relating to or affecting the title to any share or for making any other entry in the register.

40. Untraced Shareholders

(A) The company may sell any certificated shares in the company on behalf of the holder of, or person entitled by transmission to, the shares at the best price reasonably obtainable at the time of sale if:

(i) the shares have been in issue either in certificated or uncertificated form throughout the qualifying period and at least three cash dividends have become payable on the shares during the qualifying period;

(ii) no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares or by the transfer of funds by means of a relevant system at any time during the relevant period;

(iii) so far as any director of the company at the end of the relevant period is then aware, the company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the shares; and

(iv) on or after the expiry of the qualifying period, the company has sent a notice to the registered address or last known address of the member or person concerned, of its intention to sell such share and before sending such a notice to the member or other person concerned, the company must have used reasonable efforts to trace the member or other person entitled, engaging, if considered appropriate by the company, a professional asset reunification company or other tracing agent, and at least a period of three months has elapsed from the date of sending such notices.

(B) The company shall also be entitled to sell at the best price reasonably obtainable at the time of sale any additional certificated shares in the company issued either in certificated or uncertificated form during the qualifying period in right of any share to which paragraph (A) of this article applies (or in right of any share so issued), if the criteria in paragraph (A)(ii) to (iv) are satisfied in relation to the additional shares.

(C) To give effect to any sale of shares pursuant to this article the board may authorise some person to transfer the shares in question and an instrument of transfer signed by that person shall be as effective as if it had been signed by the holder of, or person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

(D) The net proceeds of sale shall belong to the company and, upon their receipt, the company shall record the name of the member, or (if known) the person who would have been entitled to the shares by law, as a creditor for the money in its accounts, unless and until forfeited under this article. No trust shall be created in respect of the debt and no interest shall be payable in respect of it and the company shall not be required to account for any moneys earned from the net proceeds which may be employed in the business of the company or as it thinks fit. If no valid claim for the money has been received by the company during a period of six years from the date on which the relevant shares were sold by the company under this article, the money will be forfeited and will belong to the company.

(D) For the purpose of this article:

"**the qualifying period**" means the period of 10 years immediately preceding the date of sending the notice referred to in paragraph (A)(iv) above; and

"**the relevant period**" means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of paragraphs (A)(i) to (iv) above have been satisfied.

Transmission of Shares

41. Transmission on Death

If a member dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his shares; but nothing contained in these articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

42. Entry of Transmission in Register

Where the entitlement of a person to a certificated share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the board, the board shall within two months after proof cause the entitlement of that person to be noted in the register.

43. Election of Person Entitled by Transmission

Any person entitled by transmission to a share may, subject as provided elsewhere in these articles, elect either to become the holder of the share or to have some person nominated by him registered as the holder. If he elects to be registered himself he shall give notice to the company to that effect. If he elects to have another person registered and the share is

a certificated share, he shall sign an instrument of transfer of the share to that person. If he elects to have himself or another person registered and the share is an uncertificated share, he shall take any action the board may require (including, without limitation, the signing of any document and the giving of any instruction by means of a relevant system) to enable himself or that person to be registered as the holder of the share. The board may at any time require the person to elect either to be registered himself or to transfer the share and if the requirements are not complied with within 60 days of being issued the board may withhold payment of all dividends and other moneys payable in respect of the share until the requirements have been complied with. All the provisions of these articles relating to the transfer of, and registration of transfers of, shares shall apply to the notice or transfer as if the death or bankruptcy of the member or other event giving rise to the transmission had not occurred and the notice or transfer was given or signed by the member.

44. Rights of Person Entitled by Transmission

Where a person becomes entitled by transmission to a share, the rights of the holder in relation to that share shall cease, but the person entitled by transmission to the share may give a good discharge for any dividends or other moneys payable in respect of it and shall have the same rights in relation to the share as he would have had if he were the holder of it save that, until he becomes the holder, he shall not be entitled in respect of the share (except with the authority of the board) to receive notice of, or to attend or vote at, any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings.

Alteration of Share Capital

45. Sub-division

Any resolution authorising the company to sub-divide its shares or any of them may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others.

46. Fractions

Whenever as a result of a consolidation, consolidation and sub-division or sub-division of shares any holders would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit including by ignoring fractions altogether or by aggregating and selling them or by dealing with them in some other way. For the purposes of effecting any such sale, the board may arrange for the shares representing the fractions to be entered in the register as certificated shares. The board may sell shares representing fractions to any person, including the company and may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

Notice of General Meetings

47. Omission or Non-Receipt of Notice

(A) The accidental omission to give any notice of a meeting or the accidental omission to send or supply any document or other information relating to any meeting to, or the non-receipt (even if the company becomes aware of such non-receipt) of any such notice, document or other information by, any person entitled to receive the notice, document or other information shall not invalidate the proceedings at that meeting.

(B) A member present in person or by proxy at a meeting shall be deemed to have received proper notice of that meeting and, where applicable, of the purpose of that meeting.

48. Postponement of General Meetings

If the board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in: (i) at least two national newspapers in the United Kingdom, and (ii) The Wall Street Journal and/or such other newspaper published in the United States as the directors consider to be appropriate. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, the appointment of a proxy will be valid if it is received as required by these articles not less than 48 hours before the time appointed for holding the rearranged meeting. The board may also postpone or move the rearranged meeting under this article.

49. Resolutions of members at Annual General Meetings

(A) If, on or before, 31st January in any year any members shall, in accordance with the Companies Acts, require the company, in relation to the Annual General Meeting to be held in that year, to give notice of a resolution which may properly be moved or require the company to circulate a statement in acceptable form, the company shall circulate that resolution or statement with the notice of the Annual General Meeting without cost to the requisitionists.

(B) If any such requisition is made in accordance with the Companies Acts after 31st January in any year and prior to the Annual General Meeting to be held in that year, the company shall require that the requisitionists deposit or tender a sum sufficient to meet the Company's reasonable expenses in complying with such requisition in accordance with the Companies Acts.

Proceedings at General Meetings (including Annual General Meetings)

50. Electronic General Meetings

(A) The board may determine that a general meeting shall be held as a physical meeting or in combination with an electronic platform or platforms that enables members to participate in the meeting without physically attending. A general meeting held partially on an electronic platform in combination with a physical meeting is referred in these articles as an "**electronic general meeting**".

(B) The board may make arrangements for an electronic platform to permit members or their proxies who are not present together at the same physical place to attend, speak and vote at an electronic general meeting by electronic means, and to permit directors or others to attend and speak, and the chairman of the meeting to preside, at an electronic general meeting by electronic means. That meeting shall be duly constituted and its proceedings valid if the chairman of the general meeting is satisfied that adequate facilities are available throughout the electronic general meeting to ensure that members attending the electronic general meeting may participate in the business of the general meeting.

(C) The notice of an electronic general meeting shall specify the physical place of that meeting and shall specify the electronic platform and arrangements by which members or their proxies may participate in the meeting.

(D) A member who is entitled to vote and who participates or is represented by a proxy by means of a specified electronic platform at an electronic general meeting shall be counted in the quorum for that general meeting.

(E) The board may make arrangements for any documents which are required to be made available to the meeting to be accessible electronically to members or their proxies.

(F) Nothing in these articles prevents a general meeting being held only at a physical location, however a general meeting cannot be held solely on an electronic platform.

51. Quorum

(A) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by these articles, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A shareholder which is a company is to be considered present if it is represented by a duly authorised representative.

(B) If the directors so determine, any or all members (or their proxies) may participate in a general meeting by means of a conference telephone, video teleconference equipment or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be

deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. A meeting which takes place by conference telephone, video teleconference or other such communication equipment will be treated as taking place at the place where the chairman is.

52. Procedure if Quorum Not Present

If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting:

(i) if convened by or upon the requisition of members, shall be dissolved; and

(ii) in any other case, it shall stand adjourned to such other day (being not less than ten days later, excluding the day on which the meeting is adjourned and the day for which it is reconvened) and at such other time or place as the chairman of the meeting may decide. At any adjourned meeting one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum and any notice of an adjourned meeting shall state that one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum.

53. Security Arrangements

(A) The directors or the secretary may take any action and may put in place any arrangements both before and during any meeting that they/he consider appropriate for:

(i) the safety of people attending a meeting;

(ii) proper and orderly conduct of a meeting; or

(iii) the meeting to reflect the wishes of the majority.

(B) This includes the power to refuse entry to, or eject from meetings, any person who fails to comply with any arrangements made or any person who in the opinion of the directors or the secretary is acting in a manner that threatens the safety of people attending the meeting and/or the proper and orderly conduct at a meeting.

(C) The board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions (including, without limitation, a requirement that such persons refrain from taking electronic equipment into a general meeting) as the board shall consider appropriate in the circumstances and the board shall be entitled in its absolute discretion to, or to authorise some one or more persons who shall include a director or the secretary or the chairman of the meeting to, refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

54. Confidential Information

No shareholder at any general meeting is entitled to require disclosure of or any information about any detail of the company's trading, or any matter that is or may be in the nature of a trade secret, commercial secret or secret process, or that may relate to the conduct of the business of the company, if the directors decide it would be inexpedient in the interests of the company to make that information public.

55. Chairman of General Meeting

The chairman (if any) of the board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor any deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting. Nothing in these articles shall restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.

56. Orderly Conduct

(A) The chairman of the meeting shall take such action or give directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting. The chairman's decision on points of order, matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any point or matter is of such a nature.

(B) The directors may arrange for any people who they consider cannot be seated in the main meeting room, where the chairman will be, to attend and take part in a general meeting in an overflow room or rooms. Any overflow room will have a live video link from the main room, and a two-way sound link. The notice of the meeting does not have to give details of any arrangements under this Article. The directors may decide how to divide people between the main room and any overflow room. If any overflow room is used, the meeting will be treated as being held, and taking place, in the main room.

57. Entitlement to Attend and Speak

Each director shall be entitled to attend and speak at any general meeting of the company. The chairman of the meeting may invite any person to attend and speak at any general meeting of the company where he considers that this will assist in the deliberations of the meeting.

58. Adjournments

The chairman of the meeting may at any time without the consent of the meeting adjourn any meeting (whether or not it has commenced or a quorum is present) either to a later time on the same day or to another time or place where it appears to him that (a) the members entitled to vote and wishing to attend cannot be conveniently accommodated in the place appointed for the meeting (b) the conduct of persons present prevents or is likely to prevent the orderly continuation of business (c) in relation to an electronic general meeting, the electronic platforms or arrangements for that meeting become inadequate for the purpose of ensuring that members can participate properly and in an orderly and secure way or (d) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted. In addition, the chairman of the meeting may at any time with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting either sine die or to another time or place. When a meeting is adjourned sine die the time and place for the adjourned meeting shall be fixed by the board. No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place. Any meeting may be adjourned more than once.

59. Notice of Adjournment

If the continuation of an adjourned meeting is to take place three months or more after it was adjourned or if business is to be transacted at an adjourned meeting the general nature of which was not stated in the notice of the original meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as provided in this article, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting.

Amendments

60. Amendments to Resolutions

In the case of a resolution duly proposed as a special resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon and in the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon unless either at least two working days prior to the date appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move the same has been received by the company at its office or the chairman of the meeting in his absolute discretion decides that it may be considered or voted upon. With the consent of the chairman of the meeting, an amendment may be withdrawn by its proposer before it is put to the vote.

61. Amendments Ruled Out of Order

If an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

Voting

62. Votes of Members

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of these articles, members shall be entitled to vote at a general meeting as provided in the Companies Acts.

63. Method of Voting

At any general meeting, including any electronic general meeting, a resolution put to the vote of the meeting shall be decided on a poll, which shall be taken in such manner as the chairman of the meeting shall direct, including by means of electronic vote casters. The result of the vote shall be deemed to be the resolution of the meeting at which the vote was demanded. A vote to elect the chairman of the meeting or to adjourn the meeting must be taken immediately at the meeting. Any other vote may be taken at any other time (within 30 days of the meeting) and place determined by the chairman. The chairman can appoint scrutineers (who need not be shareholders) and set a day, time and place for the result of the poll to be declared.

64. Votes of Joint Holders

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

65. Voting on Behalf of Incapable Member

A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from a mental disorder or is otherwise incapable of managing his affairs may vote at any general meeting of the company and may exercise any other right conferred by membership in relation to general meetings by or through any person authorised in such circumstances to do so on his behalf (and that person may vote by proxy), provided that evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote or such other right has been received by the company not later than the last time at which appointments of proxy should have been received in order to be valid for use at that meeting or on the holding of that poll.

66. No Right to Vote where Sums Overdue on Shares

No member shall, unless the board otherwise decides, be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting of the company or to exercise any other right conferred by membership in relation to general meetings unless all calls or other sums presently payable by him in respect of that share have been paid.

67. Objections or Errors in Voting

If:

(i) any objection shall be raised to the qualification of any voter, or

(ii) any votes have been counted which ought not to have been counted or which might have been rejected, or

(iii) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

Approved Depositaries

68. Meaning of Approved Depositary

(A) In these articles, unless the context otherwise requires, "**Approved Depositary**" means a person approved by the board and appointed:

(i) to hold the company's shares or any rights or interests in any of the company's shares; and

(ii) to issue securities, documents of title or other documents which evidence that the holder of them owns or is entitled to receive the shares, rights or interests held by the Approved Depository,

and shall include a nominee acting for a person appointed to do these things.

(B) The trustees of any scheme or arrangements for or principally for the benefit of employees of the company and its associated companies will be deemed to be an Approved Depositary for the purposes of these articles unless the board resolves otherwise.

(C) References in these articles to an Approved Depositary or to shares held by it refer only to an Approved Depositary and to its shares held in its capacity as an Approved Depositary.

69. Appointment of Approved Depositaries

Subject to these articles and to applicable law, an Approved Depositary may appoint as its proxy or proxies in relation to any ordinary shares which it holds, anyone it thinks fit and may determine the manner and terms of any such appointment. Each appointment must state the number and class of shares to which it relates and the total number of shares of

each class in respect of which appointments exist at any one time, which must not exceed the total number of shares of each such class registered in the name of the Approved Depositary or its nominee (the "**Depositary Shares**") at that time.

70. Register of Approved Depositaries

The Approved Depositary must keep a register (the "**Proxy Register**") of each person it has appointed as a proxy under Article 72 (an "**Appointed Proxy**") and the number of Depositary Shares (his "**Appointed Number**") to which the appointment relates. The directors will determine the requisite information to be recorded in the Proxy Register relating to each Appointed Proxy.

Any person authorised by the company may inspect the Proxy Register during usual business hours and the Approved Depositary will give such person any information which he requests as to the contents of the Proxy Register.

71. Approved Depositaries' Attendance at General Meetings

(A) An Appointed Proxy may only attend a general meeting if he provides the company with written evidence of his appointment as such. This must be in a form agreed between the directors and the Approved Depositary.

(B) Subject to applicable law and to these articles, and so long as the Approved Depositary or a nominee of the Approved Depositary holds at least his Appointed Number of shares, an Appointed Proxy is entitled to attend a general meeting which holders of that class of shares are entitled to attend, and he is entitled to the same rights, and subject to the same obligations, in relation to his Appointed Number of Depositary Shares as if he had been validly appointed in accordance with Articles 74 to 78 by the registered holder of these shares as its proxy in relation to those shares.

72. Proxies of Appointed Depositaries

An Appointed Proxy may appoint another person as his proxy for his Appointed Number of Depositary Shares, provided the appointment is made and deposited in accordance with Articles 74 to 78. These articles apply to that appointment and to the person so appointed as though those Depositary Shares were registered in the name of the Appointed Proxy and the appointment was made by him in that capacity. The directors may require such evidence as they think appropriate to decide that such appointment is effective.

73. Identifying Appointed Proxies

(A) For the purposes of determining who is entitled as an Appointed Proxy to exercise the rights conferred by Articles 71 and 72 and the number of Depositary Shares in respect of which a person is to be treated as having been appointed as an Appointed Proxy for these purposes, the Approved Depositary may decide that the Appointed Proxies who are so entitled are the persons entered in the Proxy Register at a time and on a date (a "**Record Time**") agreed between the Approved Depositary and the company.

(B) When a Record Date is decided for a particular purpose:

(i) an Appointed Proxy is to be treated as having been appointed for that purpose for the number and class of shares appearing against his name in the Proxy Register as at the Record Time; and

(ii) changes to entries in the Proxy Register after the Record Time will be ignored for this purpose.

(C) Except for recognising the rights given in relation to General Meetings by appointments made by Appointed Proxies pursuant to Article 72, the company is entitled to treat any person entered in the Proxy Register as an Appointed Proxy as the only person (other than the Approved Depositary) who has any interest in the Depositary Shares in respect of which the Appointed Proxy has been appointed.

(D) At a general meeting the chairman has the final decision as to whether any person has the right to vote or exercise any other right relating to any Depositary Shares. In any other situation, the directors have the final decision as to whether any person has the right to exercise any right relating to any Depositary Shares.

Proxies

74. Appointment of Proxies

The appointment of a proxy shall be in writing signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, shall either be executed under its seal or signed by an officer, attorney or other person authorised to sign it. If a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member in a general meeting over more shares than are held by the member, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the relevant general meeting.

75. Receipt of Proxies

(A) The appointment of a proxy must:

(i) in the case of an appointment made in hard copy form, be received at the office (or such other place in the United Kingdom or in the United States as may be specified by the company for the receipt of appointments of proxy in hard copy form) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote together with (if required by the board) any authority under which it is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board;

(ii) in the case of an appointment made by electronic means, be received at the address specified by the company for the receipt of appointments of proxy by electronic means not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes

to vote. Any authority pursuant to which such an appointment is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board, must, if required by the board, be received at such address or at the office (or such other place in the United Kingdom as may be specified by the company for the receipt of such documents) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;

(iii) in the case of an appointment delivered by an Approved Depositary (except in respect of a proxy appointed in accordance with Article 69) be delivered to the appropriate place referred to in (i) or (ii) above, as appropriate, depending on whether the appointment is made in hard copy or electronic form;

(iv) in the case of a vote taken more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid not less than 24 hours (or such shorter time as the board may determine) before the time appointed for the taking of the vote; and

(v) in the case of a vote taken not more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid by the time at which the vote was demanded (or at such later time as the board may determine),

and an appointment of a proxy which is not, or in respect of which the authority or copy thereof is not, received in a manner so permitted shall be invalid. When two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting or poll, the one which is last received (regardless of its date or of the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the company is unable to determine which was last received, none of them shall be treated as valid in respect of that share. The appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in these articles, but because of a technical problem it cannot be read by the recipient.

(B) The board may at its discretion determine that in calculating the periods mentioned in this article no account shall be taken of any part of a day that is not a working day.

76. Maximum Validity of Proxy

No appointment of a proxy shall be valid after 12 months have elapsed from the date of its receipt save that, unless the contrary is stated in it, an appointment of a proxy shall be valid for use at an adjourned meeting or vote after a meeting or an adjourned meeting even after 12 months, if it was valid for the original meeting.

77. Form of Proxy

The appointment of a proxy shall be in any usual form or in such other form as the board may approve. The appointment of a proxy shall be deemed to confer authority to vote on any amendment of a resolution put to, or any other business which may properly come before, the meeting for which it is given as the proxy thinks fit. The appointment of a proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

78. Cancellation of Proxy's Authority

A vote given by a proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting, unless notice in writing of the determination was received by the company at the office (or such other place or address as was specified by the company for the receipt of appointments of proxy) not later than the last time at which an appointment of a proxy should have been received in order to be valid for use at the meeting at which the vote was given.

Class Meetings

79. Separate General Meetings

The provisions of these articles relating to general meetings shall apply, with any necessary modifications to any separate general meeting of the holders of shares of a class convened otherwise than in connection with the variation or abrogation of the rights attached to the shares of that class. For this purpose, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

Appointment, Retirement and Removal of Directors

80. Number of Directors

Unless otherwise determined by ordinary resolution of the company, the directors (disregarding alternate directors) shall be not less than two nor more than 24 in number.

81. Directors' Shareholding Qualification

No shareholding qualification for directors shall be required.

82. Power of Company to Appoint Directors

Subject to the provisions of these articles, the company may by ordinary resolution elect any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles.

83. Power of Board to Appoint Directors

Subject to the provisions of these articles, the board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

84. Annual Retirement of Directors

At every annual general meeting each of the directors shall retire from office and may offer himself for re-appointment by the members.

85. Filling Vacancies

Subject to the provisions of these articles, at the meeting at which a director retires the company can pass an ordinary resolution to re-appoint the director or to elect some other eligible person in his place.

86. Power of Removal by Special Resolution

In addition to any power of removal conferred by the Companies Acts, the company may by special resolution remove any director before the expiration of his period of office and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place.

87. Persons Eligible as Directors

No person other than a director retiring at the meeting shall be appointed or re-appointed a director at any general meeting unless:

(i) he is recommended by the board; or

(ii) not less than seven nor more than 42 days before the day appointed for the meeting, notice in writing by a member qualified to vote at the meeting (not being the person to be proposed) has been given to the secretary of the intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed.

88. Position of Retiring Directors

A director who retires at an annual general meeting may, if willing to continue to act, be reappointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

89. Vacation of Office by Directors

Without prejudice to the provisions for retirement contained in these articles, the office of a director shall be vacated if:

(i) he resigns his office by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board; or

(ii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, he offers to resign and the board resolves to accept such offer; or

(iii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, his resignation is requested by all of the other directors and all of the other directors are not less than three in number; or

(iv) he is or has been suffering from mental or physical ill health and the board resolves that his office is vacated; or

(v) he is absent without the permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated; or

(vi) he becomes bankrupt or compounds with his creditors generally; or

(vii) he is prohibited by law from being a director; or

(viii) he ceases to be a director by virtue of the Companies Acts or is removed from office pursuant to these articles.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the board.

90. Alternate Directors

(A) Each director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a director, the appointment, unless previously approved by the board, shall have effect only upon and subject to its being so approved. Any appointment or removal of an alternate director shall be effected by notice in writing signed by the appointor and sent to or received at the office or at an address specified by the company for the purpose of communication by electronic means or tendered at a meeting of the board, or in any other manner approved by the board. An alternate director shall be entitled to receive notice of all meetings of the board or of committees of the board of which his appointor is a member. He shall also be entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and at such meeting to exercise and discharge all the functions, powers,

rights and duties of his appointor as a director and for the purposes of the proceedings at such meeting the provisions of these articles shall apply as if he were a director.

(B) Every person acting as an alternate director shall (except as regards power to appoint an alternate and remuneration) be subject in all respects to the provisions of these articles relating to directors and shall during his appointment be an officer of the company. An alternate director shall alone be responsible to the company for his acts and defaults and shall not be deemed to be the agent of or for the director appointing him. An alternate director may be paid expenses and shall be entitled to be indemnified by the company to the same extent as if he were a director. An alternate director shall not be entitled to receive from the company any fee in his capacity as an alternate director but the company shall, if so requested in writing by the appointor, pay to the alternate director any part of the fees or remuneration otherwise due to the appointor.

(C) A director or any other person may act as an alternate director to represent more than one director. Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director but he shall count as only one for the purposes of determining whether a quorum is present. Signature by an alternate director of any resolution in writing of the board or a committee of the board shall, unless the notice of his appointment provides to the contrary, be as effective as signature by his appointor.

(D) An alternate director shall cease to be an alternate director:

(i) if his appointor ceases for any reason to be a director except that, if at any meeting any director retires but is re-appointed at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired; or

(ii) on the happening of any event which if he were a director would cause him to vacate his office as director; or

(iii) if he resigns his office by notice in writing to the company.

91. Executive Directors

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the company for such period and upon such other terms as the board or any committee authorised by the board may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against the company or the company may have against the director for any breach of any contract of service between him and the company which may be involved in the revocation or termination. A director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide, and either in addition to or in lieu of his remuneration as a director.

Fees, Remuneration, Expenses and Pensions

92. Directors' Fees

(A) The directors can decide on the amount, timing and manner of payment of fees to be paid by the company to the directors for acting as directors, but the total fees paid to all of the directors for acting as directors (including amounts paid under Article 93(ii) to 93(v) but excluding any amounts paid under any other provision of these articles) shall not exceed the higher of:

(i) £3 million a year; and

(ii) any higher amount as the company may by ordinary resolution decide.

These fees can be satisfied in cash or in any other form.

(B) If the directors decide to satisfy any of these fees in shares or in any other non-cash form, the value of the shares or other assets to be counted towards this limit will be their value at the time the entitlement to them is first allocated, or provisionally allocated, to the director. This value will be taken into account for the purpose of the limit in the year in which the entitlement is first allocated, or provisionally allocated, and not in any later year when the fees, shares or other assets are actually paid or delivered to the director. This paragraph applies even if:

(i) the director's entitlement to the fees, or to receive the assets, is subject to conditions which will, or may, be fulfilled at a later time;

(ii) the fees, shares or other assets are to be, or may be, paid or delivered to the director at a later time or the director elects, agrees or is required to receive the cash equivalent of the shares or other assets as determined by reference to their value at such later time;

(iii) the company has not paid for the relevant shares or other assets at the time the director first becomes, or becomes provisionally, entitled to them, and their value subsequently changes.

(C) Unless an ordinary resolution is passed saying otherwise, the fees will be divided between some or all of the directors in the way that they decide. If they fail to decide, the fees will be shared equally by the directors, except that any director holding office as a director for only part of the period covered by the fee is only entitled to a pro rata share covering that part period.

93. Additional Remuneration

The directors can award special pay to any director who:

(i) holds any executive post;

(ii) acts as chairman;

(iii) acts as senior independent director;

(iv) acts as a scientific/medical expert on the board;

(v) is chairman of, or serves on, any committee of the directors; or

(vi) performs any other services which the directors consider to extend beyond the ordinary duties of a director.

Special pay can take the form of salary, commission or other benefits or can be paid in some other way. This is decided on by the directors.

94. Expenses

(A) Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the board or committees of the board or general meetings of the company or any other meeting which as a director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the company's business or in the discharge of his duties as a director. The company may also fund a director's or former director's expenditure for the purposes permitted under the Companies Acts and may do anything to enable a director or former director of the company to avoid incurring such expenditure as provided in the Companies Acts.

(B) The directors can award extra pay to any director who, at the request of the directors, performs special services or goes or lives abroad for any purposes of the company.

95. Pensions and Gratuities for Directors

The board or any committee authorised by the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, or dependants of, or persons connected to, any director or former director, provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a director or former director who has not been employed by, or held an executive office or place of profit under, the company or any body corporate which is or has been its subsidiary undertaking or any predecessor in business of the company or any such body corporate without the approval of an ordinary resolution of the company. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

Directors' Interests

96. Conflicts of interest requiring board authorisation

(A) The board may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the Companies Acts to avoid conflicts of interest ("**Conflict**").

(B) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.

(C) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of these articles save that:

(i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

(ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.

(D) Where the board gives authority in relation to a Conflict, or where any of the situations described in Article 97(B) apply in relation to a director ("**Relevant Situation**"):

(i) the board may (whether at the relevant time or subsequently) (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;

(ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;

(iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

(iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and

(v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.

97. Other conflicts of interest

(A) If a director is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must declare the nature and extent of that interest to the directors in accordance with the Companies Acts.

(B) Provided he has declared his interest in accordance with paragraph (A), a director may:

(i) be party to, or otherwise interested in, any contract with the company or in which the company has a direct or indirect interest;

(ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide;

(iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);

(iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and

(v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

98. Benefits

A director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the company or the members for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised under Article 96(A) or permitted under Article 97(B) and no contract shall be liable to be avoided on the grounds of a director having any type of interest authorised under Article 96(A) or permitted under Article 97(B).

99. Quorum and voting requirements

(A) A director shall not vote on or be counted in the quorum in relation to any resolution of the board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the company or any other company in which the company is interested.

(B) Where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more directors to offices or places of profit with the company or any other company in which the company is interested, a separate resolution may be put in relation to each director and in that case each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another director to an office or place of profit with a company in which the company is interested and the director seeking to vote or be counted in the quorum has a Relevant Interest in it.

(C) A director shall not vote on, or be counted in the quorum in relation to, any resolution of the board in respect of any contract in which he has an interest and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest arises only from one or more of the following matters:

(i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the company or any of its subsidiary undertakings;

(ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) the giving to him of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;

(iv) the funding by the company of his expenditure on defending proceedings or the doing by the company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;

(v) where the company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;

(vi) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company;

(vii) any contract concerning any other company (not being a company in which the director has a Relevant Interest) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(viii) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors

and employees of the company or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;

(ix) any contract for the benefit of employees of the company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the contract relates; and

(x) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors or for, or for the benefit of, persons who include directors.

(D) A company shall be deemed to be one in which a director has a Relevant Interest if and so long as (but only if and so long as) he is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company. In relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

(E) Where a company in which a director has a Relevant Interest is interested in a contract, he also shall be deemed interested in that contract.

(F) If any question shall arise at any meeting of the board as to the interest of a director (other than the chairman of the meeting) in a contract and whether it is likely to give rise to a conflict of interest or as to the entitlement of any director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the director concerned shall be conclusive except in a case where the nature or extent of the director's interest (so far as it is known to him) has not been fairly disclosed to the board. If any question shall arise in respect of the chairman of the meeting, the question shall be decided by a resolution of the board (for which purpose the chairman of the meeting shall be counted in the quorum but shall not vote on the matter) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the board.

(G) Subject to these articles, the board may also cause any voting power conferred by the shares in any other company held or owned by the company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the directors or any of them as directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company. Subject to these articles, a director may also vote on and be counted in the quorum in relation to any of such matters.

100. General

(A) References in Articles 96 to 99 to:

(i) a contract include references to any proposed contract and to any transaction or arrangement or proposed transaction or arrangement whether or not constituting a contract; and

(ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.

(B) The company may by ordinary resolution suspend or relax the provisions of Articles 95 to 98 to any extent or ratify any contract not properly authorised by reason of a contravention of any of the provisions of Articles 96 to 99.

Powers and Duties of the Board

101. General Powers of Company Vested in Board

Subject to the these articles and to any directions given by the company in general meeting by special resolution, the business of the company shall be managed by the board which may exercise all the powers of the company whether relating to the management of the business of the company or not. No alteration of these articles and no special resolution shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by any other article.

102. Borrowing Powers

Subject to the provisions of the Companies Acts, the directors may exercise all the powers of the company:

(i) to borrow money;

(ii) to mortgage or charge all or any of the company's undertaking, property (present and future) and uncalled capital;

(iii) to issue debentures and other securities; and

(iv) to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

103. Agents

(A) The board can appoint anyone as the company's attorney by granting a power of attorney or by authorising them in some other way. Attorneys can either be appointed directly by the board or the board can give someone else the power to select attorneys. The board or the persons who are authorised by it to select attorneys can decide on the purposes, powers, authorities and discretions of attorneys. But they cannot give an attorney any power, authority or discretion which the board does not have under these articles.

(B) The board can decide how long a power of attorney will last for and attach any conditions to it. The power of attorney can include any provisions which the board decides on for the protection and convenience of anybody dealing with the attorney. The power of attorney can allow the attorney to grant any or all of his power, authority or discretion to any other person.

(C) The board can:

(i) delegate any of its authority, powers or discretions to any manager or agent of the company;

(ii) allow managers or agents to delegate to another person;

(iii) remove any people it has appointed in any of these ways; and

(iv) cancel or change anything that it has delegated, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or change.

(D) Any appointment or delegation by the board which is referred to in this article can be on any conditions decided on by the board.

(E) The ability of the board to delegate under this article applies to all its powers and is not limited because certain articles refer to powers being exercised by the board or by a committee authorised by the board while other articles do not.

104. Delegation to Individual Directors

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, authorities and discretions and may from time to time revoke or vary all or any of them but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

105. Registers

The company may keep an overseas or local or other register in any place and the board may make and vary such regulations as it may think fit respecting the keeping of the register.

106. Provision for Employees

The board may exercise any power conferred by the Companies Acts to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

Proceedings of the Board

107. Board Meetings

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A director at any time may, and the secretary on the requisition of a director at any time shall, summon a board meeting.

108. Notice of Board Meetings

Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose. A director may waive his entitlement to notice of any meeting either prospectively or retrospectively and any retrospective waiver shall not affect the validity of the meeting or of any business conducted at the meeting.

109. Quorum

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of these articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

110. Directors below Minimum through Vacancies

The continuing directors or a sole continuing director may act notwithstanding any vacancy in their number but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with these articles or is below the number fixed by or in accordance with these articles as the quorum or there is only one continuing director, the continuing directors or director may act for the purpose of filling vacancies or of summoning general meetings of the company but not for any other purpose. If there are no directors or director able or willing to act, then any two members (excluding any member holding shares as treasury shares) may summon a general meeting for the purpose of appointing directors.

111. Appointment of Chairman

The board may appoint a director to be the chairman or a deputy chairman of the board, and may at any time remove him from that office. The chairman of the board or failing him a deputy chairman shall act as chairman at every meeting of the board. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair

or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. But if no chairman of the board or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting. References in these articles to a deputy chairman include, if no one has been appointed to that title, a person appointed to a position with another title which the board designates as equivalent to the position of deputy chairman.

112. Competence of Meetings

A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the board.

113. Voting

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

114. Delegation to Committees

(A) The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. References in these articles to committees include sub-committees permitted under this article.

(B) Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these articles for regulating the meetings and proceedings of the board so far as the same are applicable and are not superseded by any regulations imposed by the board.

(C) The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

115. Participation in Meetings

All or any of the members of the board may participate in a meeting of the board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other or by a series of telephone calls from the chairman of the meeting. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly. Any such meeting will be treated as taking place where the chairman is located.

116. Resolution in Writing

A resolution in writing signed by all the directors who are at the relevant time entitled to receive notice of a meeting of the board and who would be entitled to vote on the resolution at a meeting of the board (if that number is sufficient to constitute a quorum) shall be as valid and effectual as a resolution passed at a meeting of the board properly called and constituted. The resolution may be contained in one document or in several documents in like form each signed by one or more of the directors concerned.

117. Validity of Acts of Board or Committee

All acts done by the board or by any committee or by any person acting as a director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the board or committee or person so acting or that they or any of them were disqualified from holding office or had vacated office or were not entitled to vote, be as valid as if each such member or person had been properly appointed and was qualified and had continued to be a director or member of the committee and had been entitled to vote.

Seals

118. Use of Seals

The board shall provide for the custody of every seal of the company. A seal shall only be used by the authority of the board or of a committee of the board authorised by the board in that behalf. Subject as otherwise provided in these articles, and to any resolution of the board or committee of the board dispensing with the requirement for any counter-signature on any occasion, any instrument to which the common seal is applied shall be signed by at least one director and the secretary, or by at least two directors or by one director in the presence of a witness who attests the signature or by such other person or persons as the board may approve. Any instrument to which an official seal is applied need not, unless the board otherwise decides or the law otherwise requires, be signed by any person.

Dividends and Other Payments

119. Declaration of Dividends by Company

The company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.

120. Payment of Interim and Fixed Dividends by Board

The board may pay such interim dividends as appear to the board to be justified by the financial position of the company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the company, in the opinion of the board, justifies its payment. If the board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

121. Calculation and Currency of Dividends

(A) Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid; and

(iii) dividends may be declared or paid in any currency.

(B) The board may decide the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.

(C) The board may also decide that a particular Approved Depositary should be able to receive dividends in a currency other than the currency in which it is declared and may make arrangements accordingly. In particular, if an Approved Depositary has chosen or agreed to receive dividends in another currency, the directors may make arrangements with that Approved Depositary for payment to be made to them for value on the date on which the relevant dividend is paid, or a later date decided on by the directors.

122. Amounts Due on Shares may be Deducted from Dividends

The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company. Sums so deducted can be used to pay amounts owing to the company in respect of the shares.

123. No Interest on Dividends

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by the company on or in respect of any share shall bear interest against the company.

124. Payment Procedure

(A) Any dividend or other sum payable in cash by the company in respect of a share may be paid:

(i) by inter-bank transfer or by other electronic means (including payment through CREST) directly to an account with a bank or other financial institution (or other organisations operating deposit accounts if allowed by the company) named in a written instruction from the persons entitled to receive the payment under this article;

(ii) by sending a cheque, warrant or similar financial instrument by post addressed to the holder at his registered address;

(iii) by sending a cheque, warrant or similar financial instrument payable to someone else named in a written instruction from the shareholder (or all joint shareholders) and sent by post to the address specified in that instruction; or

(iv) in some other way requested in writing by the shareholder (or all joint shareholders) and agreed with the company.

(B) In respect of payment of any dividend or other money, the directors can decide and notify shareholders that:

(i) one or more of the payment means described in paragraph (A) above will be used for payment and, where more than one means will be used, a shareholder (or all joint shareholders) may elect to receive payment by one of the means so notified in the manner prescribed by the directors;

(ii) one or more of such means will be used for the payment unless a shareholder (or all joint shareholders) elects for another means of payment in the manner prescribed by the directors; or

(iii) one or more of such means will be used for the payment and that shareholders will not be able to elect to receive the payment by any other means.

(C) If:

(i) a shareholder (or all joint shareholders) does not specify an address, or does not specify an account of a type prescribed by the directors, or does not specify other details, and in each case that information is necessary in order to make payment of the dividend or other money in the way in which under this article the directors have decided that the payment is to be made or by which the shareholder (or all joint shareholders) has validly elected to receive the payment; or

(ii) payment cannot be made by the company using the information provided by the shareholder (or all joint shareholders),

then the dividend or other money will be treated as unclaimed for the purposes of these articles.

(D) For joint shareholders or persons jointly entitled to shares by law, payment can be made to the shareholder whose name stands first in the register. The company can then rely on a receipt for a dividend or other money paid on shares from any one of them on behalf of them all.

(E) Cheques, warrants and similar financial instruments are sent, and payment in any other way is made, at the risk of the person who is entitled to the money. The company is treated as having paid a dividend if the cheque, warrant or similar financial instrument is cleared or if a payment is made through CREST, bank transfer or other electronic means. The company will not be responsible for any payment which is lost or delayed.

(F) Where a person is entitled by transmission to a share, any dividend or other sum payable by the company in respect of the share may be paid as if he were a holder of the share and his address noted in the register were his registered address and where two or more persons are so entitled, any one of them may give effectual receipts for any dividends or other moneys payable or property distributable on or in respect of the shares.

125. Uncashed Dividends

The company may cease to send any cheque, warrant or similar financial instrument through the post or to employ any other means of payment, including payment by means of a relevant system, for any dividend payable on any shares in the company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends payable on those shares the cheques, warrants or similar financial instruments have been returned undelivered or remain uncashed during or at the end of the period for which the same are valid or that means of payment has failed. In addition, the company may cease to send any cheque, warrant or similar financial instrument through the post or may cease to employ any other means of payment if, in respect of one dividend payable on those shares, the cheque, warrant or similar financial instrument has been returned undelivered or remains uncashed during or at the end of the period for which the same is valid or that means of payment has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. Subject to the provisions of these articles, the company must recommence sending cheques, warrants or similar financial instruments or employing such other means in respect of dividends payable on those shares if the holder or person entitled by transmission requests such recommencement in writing.

126. Forfeiture of Unclaimed Dividends

All dividends or other sums payable on or in respect of any shares which remain unclaimed may be invested or otherwise made use of by the board for the benefit of the company until claimed. Any dividend or other sum unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and shall revert to the company unless the board decides otherwise and the payment by the board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect of it.

127. Dividends Not in Cash

Any general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct, and the board may in relation to any interim dividend direct, that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, and where any difficulty arises in regard to the distribution the board may settle it as it thinks expedient, and in particular may authorise

any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any assets or any part thereof to be distributed and may determine that cash shall be paid to any members upon the footing of the value so fixed in order to secure equality of distribution and may vest any assets to be distributed in trustees as may seem expedient to the board.

128. Scrip Dividends and Dividend Plans Generally

The board may, if authorised by an ordinary resolution of the company, offer any holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution. The following provisions shall apply:

(i) an ordinary resolution may specify some or all of a particular dividend (whether or not already declared) or may specify some or all of any dividends declared or paid within a specified period, but such period may not end later than the third anniversary of the date of the meeting at which the ordinary resolution is passed;

(ii) the entitlement of each holder of ordinary shares to new ordinary shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forgo. For this purpose "**relevant value**" shall be calculated by reference to the average of the middle market quotations for the company's ordinary shares on the London Stock Exchange as derived from the Daily Official List (or any other publication of a recognised investment exchange showing quotations for the company's ordinary shares) on such five consecutive dealing days as the board shall determine provided that the first of such days shall be on or after the day on which the ordinary shares are first quoted "ex" the relevant dividend or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit;

(iii) no fraction of any ordinary share shall be allotted. The board may make such provisions as it thinks fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit thereof accrues to the company and/or under which fractional entitlements are accrued and/or retained without interest and in each case accumulated on behalf of any holder of ordinary shares and such accruals or retentions are applied to the allotment by way of bonus to or cash subscription on behalf of such holder of fully paid ordinary shares and/or provisions whereby cash payments may be made to such holders in respect of their fractional entitlements;

(iv) the board, if it intends to offer an election in respect of any dividend, shall give notice to the holders of ordinary shares of the right of election offered to them, and specify the procedure to be followed which, for the avoidance of doubt, may include an election by means of a relevant system and the place at which, and the latest time by which, elections must be lodged in order for elections to be effective; no such notice need be given to holders of ordinary shares who have previously given election

mandates in accordance with this article and whose mandates have not been revoked; the accidental omission to give notice of any right of election to, or the non receipt (even if the company becomes aware of such non-receipt) of any such notice by, any holder of ordinary shares entitled to the same shall neither invalidate any offer of an election nor give rise to any claim, suit or action;

(v) the board shall not proceed with any election unless the company has sufficient reserves or funds that may be capitalised, and the board has authority to allot sufficient shares, to give effect to it after the basis of allotment is determined;

(vi) the board may exclude or restrict from any offer any shareholder who is an Approved Depositary or a nominee for an Approved Depositary if the offer or exercise of the right to or by the persons on whose behalf the Approved Depositary holds the shares would suffer legal or practical problems of the kind mentioned in Article 128(vii). If other shareholders (other than those excluded under Article 128(vii)) have the right to opt for new shares, the directors must be satisfied that an appropriate dividend reinvestment plan or similar arrangement is available to a substantial majority of the people on whose behalf the Approved Depositary holds shares or that such arrangement will be available promptly and the first sentence of this Article 128(vi) does not apply until the directors are satisfied of this;

(vii) the board may exclude from any offer or make other arrangement in relation to any holders of ordinary shares where the board believes that such exclusion or arrangement is necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or the board believes that for any other reason the offer should not be made to them;

(viii) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on ordinary shares in respect of which an election has been made (for the purposes of this article "**the elected ordinary shares**") and instead additional ordinary shares shall be allotted to the holders of the elected ordinary shares on the basis of allotment calculated as stated. For such purpose the board shall capitalise, out of any amount standing to the credit of any reserve or fund (including the retained earnings) at the relevant time whether or not the same is available for distribution as the board may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted on that basis and apply it in paying up in full the appropriate number of ordinary shares for allotment and distribution to the holders of the elected ordinary shares on that basis. The board may do all acts and things considered necessary or expedient to give effect to any such capitalisation;

(ix) the additional ordinary shares when allotted shall rank pari passu in all respects with the fully-paid ordinary shares then in issue except that they will not be entitled to participation in the relevant dividend;

(x) unless the board otherwise determines, or unless the uncertificated securities rules otherwise require, the new ordinary share or shares which a member has elected to receive instead of cash in respect of the whole (or some part) of the specified dividend declared or paid in respect of his elected ordinary shares shall be in

uncertificated form (in respect of the member's elected ordinary shares which were in uncertificated form on the date of the member's election) and in certificated form (in respect of the member's elected ordinary shares which were in certificated form on the date of the member's election);

(xi) the board may also from time to time establish or vary a procedure for election mandates, which, for the avoidance of doubt, may include an election by means of a relevant system, under which a holder of ordinary shares may elect in respect of future rights of election offered to that holder under this article until the election mandate is revoked or deemed to be revoked in accordance with the procedure;

(xii) the board may decide how any costs relating to making new shares available in place of a cash dividend will be met, including deciding to deduct an amount from the entitlement of a shareholder under this article; and

(xiii) at any time before new ordinary shares are allotted instead of cash in respect of any part of a dividend, the board may determine that such new ordinary shares will not be allotted. Any such determination may be made before or after any election has been made by holders of ordinary shares in respect of the relevant dividend.

Capitalisation of Reserves

129. Power to Capitalise Reserves and Funds

The company may, upon the recommendation of the board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount standing to the credit of any reserve or fund (including retained earnings) at the relevant time whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those members respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article: (i) a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full shares of the company that are to be allotted and distributed as fully paid up; and (ii) where the amount capitalised is applied in paying up in full shares that are to be allotted and distributed as fully paid up, the company will also be entitled to participate in the relevant distribution in relation to any shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of members to the distribution will be calculated accordingly. The board may authorise any person to enter into an agreement with the company on behalf of the persons entitled to participate in the distribution and the agreement shall be binding on those persons.

130. Settlement of Difficulties in Distribution

Where any difficulty arises in regard to any distribution of any capitalised reserve or fund the board may settle the matter as it thinks expedient and in particular may authorise any person to sell and transfer any fractions or may resolve that the distribution should be as

nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties, as may seem expedient to the board.

Record Dates

131. Power to Choose Any Record Date

Notwithstanding any other provision of these articles, the company or the board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made. The power to fix any such record date shall include the power to fix a time on the chosen date.

Records and Summary Financial Statements

132. Inspection of Records

No member in his capacity as such shall have any right of inspecting any accounting record or book or document of the company except as conferred by law, ordered by a court of competent jurisdiction or authorised by the board or by ordinary resolution of the company.

133. Summary Financial Statements

The company may send or supply copies of its strategic reports with supplementary materials to its members instead of copies of its full accounts and reports.

Service of Notices, Documents and Other Information

134. Method of Service

(A) Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any member by the company:

(i) personally;

(ii) by sending it through the post addressed to the member at his registered address or by leaving it at that address addressed to the member;

(iii) by means of a relevant system;

(iv) where appropriate, by sending or supplying it in electronic form to an address notified by the member to the company for that purpose;

(v) where appropriate, by making it available on a website and notifying the member of its availability in accordance with this article; or

(vi) by any other means authorised in writing by the member.

In the case of joint holders of a share, service, sending or supply of any notice, document or other information on or to one of the joint holders shall for all purposes be deemed a sufficient service on or sending or supplying to all the joint holders.

(B) In the case of joint holders of a share, anything to be agreed or specified in relation to any notice, document or other information to be served on or sent or supplied to them may be agreed or specified by any one of the joint holders and the agreement or specification of the senior shall be accepted to the exclusion of that of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

(C) If any member, including any joint holder, who is without a United Kingdom or United States postal address provides the company with such postal address is entitled to have notice or documents served or supplied to him at that address. If such a member fails to provide the company with a United Kingdom or United States postal address he may be ignored for the purposes of sufficient service or supply of any notice or documents.

(D) If on three consecutive occasions any notice, document or other information served on or sent or supplied to a member has been returned undelivered, such member shall not thereafter be entitled to receive notices, documents or other information from the company until he shall have communicated with the company and supplied to the company (or its agent) a new registered address, or a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information, or shall have informed the company of an address for the service of notices and the despatch or supply of documents and other information in electronic form. For these purposes, any notice, document or other information sent by post shall be treated as returned undelivered if the notice, document or other information is served, sent or supplied back to the company (or its agents) and a notice, document or other information served, sent or supplied in electronic form shall be treated as returned undelivered if the company (or its agents) receives notification that the notice, document or other information was not delivered to the address to which it was sent. For the avoidance of doubt, a notice, document or other information served, sent or supplied in electronic form shall not be treated as a failure to deliver if the company (or its agents) receives an out of office notification from such member.

(E) The company may at any time and in its sole discretion choose (a) to serve, send or supply notices, documents or other information in hard copy form alone to some or all members; and (b) not to serve, send or supply any notice, document or other information to a particular member where it considers this necessary or appropriate to deal with legal, regulatory or practical problems in, or under the laws of, any territory.

135. Record Date for Service

Any notice, document or other information may be served, sent or supplied by the company by reference to the register as it stands at any time not more than 15 days before the date of service, sending or supply. No change in the register after that time shall invalidate that service, sending or supply. Where any notice, document or other information is served on

or sent or supplied to any person in respect of a share in accordance with these articles, no person deriving any title or interest in that share shall be entitled to any further service, sending or supply of that notice, document or other information.

136. Members Resident Abroad or on Branch Registers

(A) Any member whose registered address is not within the United Kingdom or the United States and who gives to the company a postal address within the United Kingdom or the United States at which notices, documents or other information may be served upon, or sent or supplied to, him shall be entitled to have notices, documents or other information served on or sent or supplied to him at that address or, where applicable, by making them available on a website and notifying the holder at that address. Any member whose registered address is not within the United Kingdom or the United States and who gives to the company an address for the purposes of communications by electronic means may, subject to these articles, have notices, documents or other information served on or sent or supplied to him at that address or, where applicable, by making them available on a website and notifying the holder at that address. Otherwise, a member whose registered address is not within the United Kingdom or the United States shall not be entitled to receive any notice, document or other information from the company.

(B) For a member registered on a branch register, notices, documents or other information can be posted or despatched in the United Kingdom, the United States or in the country where the branch register is kept.

137. Service of Notice on Person Entitled by Transmission

(A) This article applies where a member has died or become bankrupt or is in liquidation, or where someone else has otherwise become entitled by law to that member's shares, but is still registered as a member, it applies whether he is registered as a sole or joint member.

(B) A person who is entitled by transmission to a share, and who proves this to the reasonable satisfaction of the directors, upon supplying the company with a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information, shall be entitled to have served upon or sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, to be notified at that address of the availability of the notice, document or other information on a website.

(C) A person who is entitled by transmission to a share, and who proves this to the reasonable satisfaction of the directors, upon supplying the company with an address for the purposes of communications by electronic means for the service of notices and the despatch or supply of documents and other information, may have served on, sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, may be notified at that address of the availability of the notice, document or other information on a website.

(D) In either case under paragraphs (B) and (C) above, such service, sending or supply shall for all purposes be deemed a sufficient service, sending or supply of such notice, document or other information on all persons interested (whether jointly with or as claimants through or under him) in the share.

(E) Otherwise, any notice, document or other information served on or sent or supplied to any member pursuant to these articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the company has notice of the death, bankruptcy or other event, be deemed to have been properly served, sent or supplied in respect of any share registered in the name of that member as sole or joint holder.

138. Deemed Delivery

(A) Any notice, document or other information, if served, sent or supplied by the company by post, shall be deemed to have been received on the day following that on which it was posted if first class post was used or 48 hours after it was posted if first class post was not used and, in proving that a notice, document or other information was served, sent or supplied, it shall be sufficient to prove that the notice, document or other information was properly addressed, prepaid and put in the post.

(B) Any notice, document or other information not served, sent or supplied by post but left by the company at a registered address or at an address (other than an address for the purposes of communications by electronic means) notified to the company in accordance with these articles by a person who is entitled by transmission to a share shall be deemed to have been received on the day it was so left.

(C) Any notice, document or other information served, sent or supplied by the company by means of a relevant system shall be deemed to have been received when the company or any sponsoring system-participant acting on its behalf sends the issuer- instruction relating to the notice, document or other information.

(D) Any notice, document or other information served, sent or supplied by the company using electronic means shall be deemed to have been received on the day on which it was sent notwithstanding that the company subsequently sends a hard copy of such notice, document or information by post. Any notice, document or other information made available on a website shall be deemed to have been received on the day on which the notice, document or other information was first made available on the website or, if later, when a notice of availability is received or deemed to have been received pursuant to this article. In proving that a notice, document or other information served, sent or supplied by electronic means was served, sent or supplied, it shall be sufficient to prove that it was properly addressed.

(E) Any notice, document or other information served, sent or supplied by the company by any other means authorised in writing by the member concerned shall be deemed to have been received when the company has carried out the action it has been authorised to take for that purpose.

139. Notice When Post Not Available

If there is a suspension or curtailment of postal services within the United Kingdom, the United States or some part of either the United Kingdom or the United States, the company need only give notice of a general meeting to those members with whom the company can communicate by electronic means and who have provided the company with an address for this purpose. The company shall also advertise the notice in at least one newspaper with a national circulation and make it available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof. If at least six clear days prior to the meeting the sending or supply of notices by post in hard copy form has again become generally possible, the company shall send or supply confirmatory copies of the notice by post to those members who would otherwise receive the notice in hard copy form.

Destruction of Documents

140. Presumptions Where Documents Destroyed

If the company destroys or deletes:

(i) any share certificate which has been cancelled at any time after a period of one year has elapsed from the date of cancellation, or

(ii) any instruction concerning the payment of dividends or other moneys in respect of any share or any notification of change of name or address at any time after a period of two years has elapsed from the date the instruction or notification was recorded by the company, or

(iii) any instrument of transfer of shares or Operator-instruction for the transfer of shares which has been registered by the company at any time after a period of six years has elapsed from the date of registration, or

(iv) any instrument of proxy which has been used for the purpose of a poll at any time after a period of one year has elapsed from the date of use, or

(v) any instrument of proxy which has not been used for the purpose of a poll at any time after a period of one month has elapsed from the end of the meeting to which the instrument of proxy relates, or

(vi) any other document on the basis of which any entry is made in the register at any time after a period of six years has elapsed from the date the entry was first made in the register in respect of it,

and the company destroys or deletes the document or instruction in good faith and without express notice that its preservation was relevant to a claim, it shall be presumed irrebuttably in favour of the company that every share certificate so destroyed was a valid certificate and was properly cancelled, that every instrument of transfer or Operator-instruction so destroyed or deleted was a valid and effective instrument of transfer or instruction and was properly registered and that every other document so destroyed was a valid and effective document and that any particulars of it which are recorded in the books or records of the company were correctly recorded. If the documents relate to uncertificated shares, the

company must comply with any requirements of the uncertificated securities rules which limit its ability to destroy these documents. Nothing contained in this article shall be construed as imposing upon the company any liability which, but for this article, would not exist or by reason only of the destruction of any document of the kind mentioned above before the relevant period mentioned in this article has elapsed or of the fact that any other condition precedent to its destruction mentioned above has not been fulfilled. References in this article to the destruction of any document include references to its disposal in any manner.

Indemnity and Insurance

141. Indemnity of Directors

(A) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company shall be indemnified by the company out of its own funds against all costs, charges, losses, expenses and liabilities incurred by him in performing his duties and/or in exercising his powers and/or in supposedly doing these things and/or otherwise in relation to or in connection with his duties, powers or office.

(B) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company is exempted from any liability to the company where that liability would be covered by the indemnity in Article 141(A).

(C) Without prejudice to Article 141(A), the company may purchase and maintain insurance against any liability for any persons who are or were at any time directors, officers or employees of the company or of any associated company or trustees of any pension fund or employee share scheme in which employees of any such company are interested.

(D) No director or former director of the company or of any associated company shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify the person from being or becoming a director of the company.

(E) For the purposes of this article, no person appointed or employed by the company or an associated company as an auditor is an officer.

Exhibit 4.3

Dated 29 March, 2017

GLAXOSMITHKLINE SERVICES UNLIMITED

and

EMMA N. WALMSLEY

SERVICE AGREEMENT

This Agreement is made on 29 March, 2017 **between**:

(1) **GLAXOSMITHKLINE SERVICES UNLIMITED** whose registered office is at GSK House, Brentford, Middlesex, TW8 9GS (the "**Company**"); and

(2) **EMMA N. WALMSLEY** (the "**Executive**").

1 Interpretation

1.1 In this Agreement (and any schedules to it)

"**Accrued Obligations**" means:

1.1.1 the Executive's base salary under this Agreement through to the end of the month in which the Termination Date occurs at the rate in effect on the Termination Date and the reimbursement (in accordance with Group policy) of any expenses incurred by the Executive prior to the Termination Date;

1.1.2 any unpaid bonus pertaining to the previous financial year and the product of any target bonus for the financial year in which the Termination Date occurs and a fraction, the numerator of which is the number of days in the Company's current financial year up to the Termination Date and the denominator of which is 365;

1.1.3 any remuneration previously deferred by the Executive (together with any accrued interest) and not yet paid by the Company including payment for any accrued holiday not taken by the Executive; and

1.1.4 any other benefits to which the Executive is entitled, as determined in accordance with the applicable plans and policies of the Company;

"**Board**" means the board of directors of the Company from time to time or any person or committee nominated by that board as its representative for the purposes of this Agreement;

"**Employment**" means the employment governed by this Agreement;

"**Group**" means the Company and any other company controlling, controlled by or under the direct or indirect common control of the Company, including, without limitation, GSK plc and any of its subsidiaries from time to time;

"**Group Company**" means a member of the Group and "**Group Companies**" will be interpreted accordingly;

"GSK Board" means the board of directors of GSK plc from time to time or any person or committee nominated by the GSK Board as its representative for the purposes of this Agreement;

"**GSK plc**" means GlaxoSmithKline plc;

"**Termination Date**" means the date on which the Employment terminates, whether on the expiration of notice to terminate the Employment pursuant to Section 3 or otherwise pursuant to this Agreement.

1.2 References to any statutory provisions include any modifications or re-enactments of those provisions.

1.3 In this Agreement, terms used in the context of the GlaxoSmithKline 2009 Performance Share Plan shall have the meaning ascribed to them in such plan.

2 Employment

The Company confirms the employment of the Executive, and the Executive confirms her employment with the Company, on the terms and conditions set out in this Agreement.

3 Termination by Notice

3.1 The Executive's continuous employment began on 1st May, 2010.

3.2 The Employment under the terms of this Agreement shall commence on 1st April, 2017 and the Employment shall continue until:

(i) the Employment is otherwise terminated in accordance with this Agreement; or

(ii) not less than 12 calendar months' notice in writing is given by the Company to the Executive; or

(iii) not less than 12 calendar months' notice in writing is given by the Executive to the Company.

3.3 The Company may, in its absolute discretion, lawfully terminate the employment of the Executive at any time by paying to the Executive a sum equal to her basic salary (excluding any other benefits) for the period this Agreement would otherwise continue. For this purpose, basic salary shall be the basic salary in effect at the date of termination of the employment.

4 Duties and Responsibilities

4.1 The Executive shall be appointed as Chief Executive Officer of GSK plc (in which capacity she will report directly to the GSK Board). The Executive shall have such powers and duties as are from time to time given to her by the GSK Board consistent with the Employment and this Agreement. In addition, and for no additional consideration, the Executive shall sit on the GSK Board and, if requested by the GSK Board, serve as a director on any other board of directors of any Group Company. The Executive agrees that for the purposes of the Working Time Regulations 1998 she is a managing executive.

4.2 During the Employment, the Executive shall devote her full business time and energies to the business and affairs of the Company and GSK plc, consistent with any other duties and responsibilities she may have to any Group Companies. The Executive's time shall be allocated among the Group Companies in accordance with the Executive's reasonable judgment and dependent upon the level of her responsibilities to any other Group Company, subject to the overall supervision and direction of the GSK Board.

4.3 The Executive shall not, without the prior written consent of the GSK Board, accept directorships, trusteeships and other appointments (other than of Group Companies) or carry on or be engaged, concerned or interested either directly or indirectly in any other business or activity.

4.4 The location of the Executive's activities shall be at GSK House, but subject to the overall supervision and direction of the Board and the GSK Board, and to perform properly her duties, she may be required to undertake reasonable travel elsewhere in the world. The Executive is required to reside at a location convenient to the Company's offices at GSK House (or such other location as the GSK Board may determine) during the Employment.

5 Salary, etc.

5.1 In consideration of the services to be rendered by the Executive under this Agreement the Executive shall be paid a salary at the rate of £1,003,000 per annum, payable in accordance with the frequency of payments adopted by the Company for its executives from time to time (but not less frequently than calendar monthly). The salary will be credited to the Executive's bank account notified to the Company for the purpose. Salary shall be reviewed annually in accordance with the Company's normal administrative practices for its executives and may be increased (but not reduced) by the Company by such amount (if any) as it shall think fit.

5.2 The Executive shall be entitled subject to Section 6.5 to participate

(i) in all such cash bonus plans and programmes as are made available from time to time to board level executives of the Company in accordance with the Company's policy (or GSK plc's policy, as applicable); and

(ii) in respect of the salary provided by Section 5.1, in such incentive programmes as are made available from time to time to board level executives of the Company and/or GSK plc generally,

in each case subject to the terms and conditions of such bonus plans and programmes from time to time in force. Any grants of share options or awards of performance shares under such plans and programmes shall be granted subject to performance conditions as determined by the GSK Board. The Executive's future participation in certain of these plans and programmes may be affected if she does not satisfy the Share Ownership Requirements (as amended from time to time). It is agreed that in the event of the Executive retiring from the Company, the Executive will retain the relevant number of shares (as set out in the Share Ownership Requirements) until at least one year after the earlier of (i) the Executive's Retirement Date contemplated by Section 14 of this Agreement, or (ii) the date on which the Executive retires from the Company in accordance with the terms of any Company policy (as may be in force from time to time).

5.3 The Executive's salary under Section 5.1 of this Agreement shall be inclusive of any fees or other remuneration to which the Executive may be entitled or receives as a Director, alternate Director, specialist adviser, consultant or by virtue of any other office or appointment in any Group Company. The Executive shall account to the Company for all such fees or other remuneration by paying over or procuring to be paid over the same to the Company.

5.4 GSK shall not be liable for any costs or expenses, including any costs or expenses pertaining to travel undertaken by the Executive, incurred as a result of any activity or participation in any role or capacity external to and unrelated to GSK or any Group Company. It is agreed that the Executive will promptly reimburse GSK against any such costs that may be incurred by GSK. Further, the Executive authorises the Company at any time to deduct from her salary, or any other monies payable to her by the Company, all sums which she owes the Company. If this is insufficient, the Company will require repayment of the balance.

6 Expenses and other Benefits

6.1 The Company shall promptly reimburse to the Executive all reasonable travel and other out of pocket expenses properly incurred by her in the performance of her duties under the Employment. The Executive will submit claims for expenses reimbursement to the Company regularly with appropriate supporting documentation.

6.2 The Executive is eligible to participate in the GlaxoSmithKline Cash Allowance and Car Ownership Scheme subject to the rules of the scheme as amended and/or agreed with the Company from time to time. Full details of the Scheme are available on the *TotalReward* section on myGSK.

6.3 The medical benefit arrangements for the Executive and her family are as set out in the GlaxoSmithKline Executive Medical Plan (as amended from time to time). Details, including eligibility criteria, are set out in the *TotalReward* section on myGSK.

6.4 The Company at its expense shall provide the Executive with other benefits provided to board level executives of the Company, and the Executive shall be entitled to participate in all benefit plans, practices and policies as are made available by the Company from time to time to its board level executives subject to their terms and conditions from time to time in force. Details of the relevant plans and programmes are set out in the *TotalReward* section on my GSK.

6.5 The Company (and GSK plc, as applicable) reserves the absolute right and discretion to amend, modify or terminate all such benefits, plans and programmes as are referred to in Sections 5.2, 6.2, 6.3, 6.4 and 8 at any time and for any reason.

7 Holidays

In addition to all statutory and Bank Holidays, the Executive shall be entitled to 27 days' holiday in each year at full pay, increasing to 28 days after 10 years' service, in accordance with Company policy from time to time in force, which shall accrue rateably during the calendar year. Up to four days of such holiday shall be taken at times to be designated by the Company and the remainder shall be taken at such times as the business of the Company may permit. On termination of the Employment the Executive will be entitled to be paid for any accrued holiday not taken and will reimburse the Company for any holiday taken but not accrued.

Holiday which is not taken in the year in which it is accrued may be carried forward, in accordance with the Company's rules on the banking of holidays outlined in its Holiday Policy, as amended from time to time. Any holiday which is not banked in accordance with these rules will be lost.

8 Pension and Life Insurance

The Executive is entitled to be a member of the GSK Pension Plan Senior Executive section ("the Pension Plan"), subject to the conditions of the trust deed and rules governing the Pension Plan from time to time. The rate of employer core contribution to the Pension Plan is set at 20% of salary. If the Executive has reached or reaches any limit set by the Government relating to pension allowances, the Executive can opt out of the Pension Plan and the Company may pay her a cash supplement in lieu of any employer pension contributions. The Pension Plan is subject to amendment or withdrawal at the Company's discretion. Any contributions payable by the Executive to the pension plan will be deducted from salary via salary sacrifice. The Company shall provide the Executive with the benefit of life cover which would provide a lump sum equivalent to four times the level of her base salary in the event of death in service.

9 Sickness

9.1 The Executive shall comply with the Company's sick pay rules from time to time in force.

9.2 Without prejudice to the Company's right to terminate the Employment in accordance with Sections 3, 13, 15 and 16 and to automatic termination in accordance with Section 14, if the Executive is absent from the Employment as a result of sickness or injury she shall be paid her full salary for the first 26 weeks' absence (whether or not consecutive) and half of her salary for the second 26 weeks (whether or not consecutive) in aggregate in any period of 24 calendar months. The amount of any benefit which the Executive is entitled to claim during that period of absence under any Social Security or National Insurance Scheme and/or any Scheme of which the Executive is a non-contributory member by virtue of the Employment, will be deducted from any salary paid to her. The Company will pay the Executive statutory sick pay under the Social Security Contributions and Benefits Act 1992 (as amended) and any salary paid to her will be deemed to include statutory sick pay. The Company reserves the right to offset the amount of these benefits against salary paid to the Executive even if the Executive has not recovered them.

9.3 The Company may request the Executive to have a medical examination every year (or at such shorter intervals as they may agree between them), by a doctor approved by the Company. The costs of such examinations shall be borne by the Company.

10 Inventions and Copyright

The Company's standard policy on inventions and copyright from time to time in force shall apply to the Executive.

11 Confidentiality; Company Securities

11.1 Without prejudice to any other duty owed to the Company or to any Group Company, the Executive shall not, except in the proper performance of her duties or as authorised by the Board, during or after the Employment, use or disclose to any person any Confidential Information obtained by her during the Employment.

11.2 In the course of the Employment, the Executive is likely to obtain trade secrets and confidential information belonging to or relating to Group Companies and other persons. She will treat such information as if it falls within the terms of Section 11.1 and Section 11.1 will apply with any necessary amendments to such information. If requested to do so by the Company, the Executive will enter into an agreement with other Group Companies and any other persons in the same terms as Section 11.1 with any amendments necessary to give effect to this provision.

11.3 For the purposes of this Agreement, the term "**Confidential Information**" shall include, but not be limited to confidential commercial, financial and strategic data pertaining to the Group and any other confidential information relating to the business or affairs of the Group including, without limitation, any invention, trade secret, manufacturing process or patent information. The term "Confidential Information" shall not include any information:

11.3.1 which is or becomes generally available to the public; or

11.3.2 which is acquired by the Executive apart from her association with the Group

other than, in each case, as a result of disclosure by the Executive or by any person to whom she has supplied information or by any person in breach of a duty of confidentiality.

In addition, the term "Confidential Information" shall not include any information which the Executive is required to disclose by applicable law or regulation or by order of a court or governmental body of competent jurisdiction, so long as the Executive gives the Board or the GSK Board reasonable prior notice of such required disclosure. This does not affect any rights the Executive has under Part IVA of the Employment Rights Act 1996.

11.4 During the Employment, the Executive shall be bound, in respect of transactions in securities issued by any Group Company, by the Company's and GSK plc's policies from time to time in effect on employee securities dealing. In particular, the Executive shall advise the Company Secretary, Chief Financial Officer or Chairman of GSK plc before she or any member of her immediate family seeks to trade in such securities and shall be bound by any directions given by the Company Secretary, Chief Financial Officer or Chairman.

12 General Termination Provisions

12.1 On the termination of the Employment for whatever reason, or at any other time when requested to do so by the Company, the Executive, upon receipt of written request from the Company, shall promptly

(i) deliver up to the Company any property belonging to the Company or any other Group Company which may be in her possession or under her control including Confidential Information, lists of customers, correspondence, documents and other property. The Executive will not retain any copies of any materials or other information. The Company shall promptly return to the Executive and permit her to remove from the premises of the Company and any other Group Company, any property, personal records, files, etc. belonging to the Executive; and

(ii) resign on request by the Company or the GSK Board (if she has not already done so) from all offices held by her in the Company and any other Group Company (except for any she is entitled to retain under any separate agreement with any Group Company), failing which the Executive irrevocably authorises the Company or GSK plc to appoint an officer of the Company or GSK plc to execute all documents on her behalf and do all things necessary to effect such resignations; PROVIDED, however, that any such resignations pursuant to this Section 12.1(ii) shall be without prejudice to the Executive's rights under this Agreement.

12.2 Any termination of the Employment shall be without prejudice to the Executive's and the Company's continuing obligations under this Agreement.

12.3 Upon the termination of the Executive's employment for whatever reason, the Executive shall immediately repay all outstanding debts or loans due to the Company or any Group Company and the Company is hereby authorised to deduct from any payment of wages any sum in repayment of all or any part of such debts or loans.

12.4 The terms of the GSK Redundancy Policy as in force from time to time, shall not apply to the Executive who shall only be entitled to statutory redundancy pay in addition to any other entitlement under this Agreement if her Employment is terminated by reason of redundancy.

13 Termination due to Death or Disability

13.1 In the event of the Executive's death, the Employment will terminate automatically on the date of her death, which shall be the Termination Date for the purposes of this Agreement. Her duly qualified executor shall be entitled to receive the Accrued Obligations.

13.2 The Company may elect to terminate the Employment immediately without notice or payment in lieu of notice by serving written notice ("**Termination Notice for Disability**"), if an independent physician selected by the Company has certified in writing that, by reason of a physical or mental illness or other condition of the Executive, the Executive is unlikely to be able to resume performance of duties under the Employment for the foreseeable future. The Employment will terminate on the Termination Date specified in the Termination Notice for Disability. Provided that the Company shall not be entitled to terminate the employment by reason of physical or mental illness or other condition if this would lead to the Executive becoming dis-entitled to benefits under the Company's or GSK plc's permanent health insurance plan.

13.3 In the event the Company delivers a Termination Notice for Disability, the Executive shall immediately be relieved from all offices, appointments and responsibilities that she may then hold under the Employment and be relieved of any duty to work for or serve the Company or any Group Company. The Executive shall be entitled only to the Accrued Obligations, together with such rights as are provided for in the applicable benefits plan(s) in which the Executive participates.

14 Termination on Retirement

The Employment shall automatically terminate on the last day of the month in which the Executive reaches her sixty-fifth (65th) birthday (the "**Retirement Date**") and the Executive shall thereafter be entitled only to payment of the Accrued Obligations.

15 Termination for Cause

15.1 The Company shall be entitled to terminate the Employment immediately without notice or payment in lieu of notice for Cause (as defined in this Section 15) by serving written notice ("**Notice of Termination for Cause**").

15.2 "**Cause**" shall mean:

15.2.1 the Executive is convicted of any criminal offence which in the reasonable opinion of the Chairman of GSK plc or the GSK Board affects the Executive's position as Chief Executive Officer of GSK plc (other than a motoring offence for which no custodial sentence is given to her); or

15.2.2 the Executive, in carrying out her duties under the Employment, is found guilty of gross neglect or gross misconduct; or

15.2.3 the Executive shall become bankrupt or have an order under Section 252 of the Insolvency Act 1986 made in respect of her or if an interim receiver of her property is appointed under Section 286 of the Act; or

15.2.4 the Executive shall be or become prohibited by law from being a director; or

15.2.5 the Executive commits a serious breach of any material term of this Agreement.

15.3 Any delay or forbearance by the Company in exercising any right of termination shall not constitute a waiver of it.

15.4 In the event that the Employment is terminated for Cause, the Employment shall terminate upon the date on which the Board serves Notice of Termination for Cause and the Executive shall be entitled only to payment of all previously accrued and unpaid salary then due and owing under this Agreement and any accrued annual leave up to the date of termination and reimbursement for expenses previously incurred and, save for the provisions of this Section 15.4, the Executive will have no claim for damages or any other remedy against the Company or any Group Company.

16 Termination by Notice

16.1 If either notice to terminate the Employment is given by the Executive according to Section 3.2(iii) above, or if the Executive resigns without giving due notice and the Company does not accept her resignation or the Company has given notice in accordance with Section 3.2(ii) above then the Company may require the Executive to comply with any and all of the provisions in this Section 16.1 for a maximum period of 12 months (the "**Garden Leave Period**").

16.1.1 The Company may require that the Executive does not:

(i) enter or attend the premises of the Company, or any Group Company; or

(ii) contact or have any communication with any customer or client of the Company, or any Group Company in relation to the business of the Company, or any Group Company; or

(iii) contact or have any communication with any employee, officer, director, agent or consultant of the Company, or any Group Company in relation to the business of the Company, or any Group Company; or

(iv) become employed or engaged by any company, partnership or other entity whether as an employee, director, partner or consultant or carry on any business either on her own account or for any other person whether directly or indirectly (except as the holder, directly or indirectly, of less than 5 per cent of the shares or save for those activities permitted in accordance with Section 4.3);

(v) remain or become involved in any aspect of the business of the Company, or any Group Company except as required by such companies.

16.1.2 The Company may require the Executive:

(i) to comply with the provisions of Section 12; and

(ii) to immediately resign from any directorship which she holds in the Company, and any Group Company or any other company where such directorship is held as a consequence or requirement of the Employment, unless she is required to perform duties to which any such directorship relates in which case she may retain such directorships while those duties are ongoing. The Executive hereby irrevocably appoints the Company to appoint an officer of GSK plc as her attorney to execute any instrument and do anything in her name and on her behalf to effect her resignation if she fails to do so in accordance with this Section 16.1.2(ii).

16.1.3 During any Garden Leave Period the Company may appoint another individual to carry out the duties of the Executive and the Executive shall:

(i) continue to be bound by the provisions of this Agreement and conduct herself with good faith towards the Company and not do anything that is harmful to the Company or any Group Company;

(ii) remain available to perform any reasonable duty requested by the Company or any Group Company and to co-operate generally with the Company or any Group Company to ensure a smooth handover of her duties (provided that if the Executive should fail to make herself available for such work having been requested by the Company or any Group Company to attend she shall, notwithstanding any other provision of this Agreement forfeit her right to salary and contractual benefits in respect of such period of non-availability).

16.1.4 During the Garden Leave Period, the Executive will be entitled to receive her salary and benefits in accordance with the terms of this Agreement including any bonus payable in accordance with Section 5.2 but excluding any share entitlements under Section 5.2 above.

16.1.5 Where the Company gives notice to terminate the Employment in accordance with Section 3.2 (except where termination is effected pursuant to the terms of Section 15) above then notwithstanding the continuation of the Employment during any period after notice has been given, including, any Garden Leave Period, within 30 days of the date such notice was given to the Executive, the Company shall pay to the Executive as a lump sum her full salary in respect of the entire period of notice (except for any part of it attributable to the period falling after the Executive's Retirement Date and subject to deduction of tax and any other deductions required to be made) (the "**Lump Sum**"). For this purpose, full salary shall be the basic salary in effect at the date such notice is given to the Executive. For the avoidance of doubt, the payment by the Company to the Executive of the Lump Sum will extinguish any and all liability imposed on the Company under this Agreement to make any further payment to the Executive in respect of salary under this Agreement during any period after notice has been given, including, any Garden Leave Period.

16.1.6 After the payment of a Lump Sum pursuant to Section 16.1.5, at the end of or at any time during the Garden Leave Period the Company may at its sole and absolute discretion terminate the Employment by further written notice to the Executive without any further payment. In any event at the end of the 12 month Garden Leave Period the Employment will also terminate automatically and the Company shall be under no obligation to make any further payment to the Executive, save for in respect of any Accrued Obligations that may exist.

16.1.7 However, in the event that the Executive obtains an offer of future alternative employment with another employer, or otherwise wishes to take up alternative business activities, and she can satisfy the GSK Board that such employment/activities are not in breach of Section 17, the Company shall waive the balance of any unexpired notice period or the Garden Leave Period so as to enable the Executive to take up such alternative employment/activities; whereupon, subject to Section 12.3 above, the Company's obligations to the Executive under this Section 16.1 shall cease with effect from the agreed revised Termination Date.

16.1.8 The Company and the Executive agree that if the Company shall fully perform, when due, all its obligations under this Section 16, such performance shall be in full and final settlement of all and any claims or rights of action which the Executive might have against the Company, or any Group Company arising out of this Agreement or its termination or otherwise howsoever relating to the Employment.

17 Restrictions during and after Termination of Employment

17.1 In this Section:

"**Restricted Business**" means the businesses of the Company or any Group Company at the Termination Date (or if earlier the start of any Garden Leave Period ending on the Termination Date) with which the Executive was involved to a material extent during the last 12 months of the Employment.

"**Restricted Period**" means any period during which the Executive is employed by the Company (including for the avoidance of doubt, any Garden Leave Period) and the period of 12 months, less any Garden Leave Period imposed by the Company under Section 16 and less any period of notice worked by the Executive during the notice period set out in Section 3, commencing on the Termination Date.

17.2 The Executive is likely to obtain trade secrets and confidential information and personal knowledge of and influence over customers, clients and employees of the Company, GSK plc and its Group Companies during the course of the Employment. To protect these interests, the Executive agrees with the Company and GSK plc that the Executive will be bound by the following covenants:

17.2.1 During the Restricted Period she will not be employed or engaged in (except as the holder, directly or indirectly, of less than 5 per cent of the shares) any Competing Business. For the purposes of this Section 17.2.1, a Competing Business shall mean the following companies (or, as appropriate, the successors to their operations): Abbott Laboratories; AbbVie Inc.; Amgen Inc.; AstraZeneca PLC; Bayer HealthCare; Bristol-Myers Squibb Company; Colgate-Palmolive Company; Eli Lilly and Company; Johnson & Johnson; Kimberly-Clark; Merck & Co., Inc.; Novartis; Pfizer Inc.; Procter & Gamble; Reckitt Benckiser plc; Roche Holding Ltd; Sanofi S.A.; and, Unilever PLC.

17.2.2 During the Restricted Period the Executive will not canvass or solicit in competition with the Company, or any Group Company, the custom of any person who was during the last 12 months of the Employment a customer, or client of, or in the habit of dealing with, the Company, or (as the case may be) any Group Company and in respect of which the Executive had access to confidential information or with whose custom or business the Executive is or was personally concerned, during that 12 month period with a view to providing goods or services to that person in competition with any Restricted Business.

17.2.3 During the Restricted Period she will not, in the course of any business concern which is in competition with the Restricted Business provide goods or services to or otherwise have any dealings with any person who was during the last 12 months of the Employment a customer, or client of, or in the habit of dealing with the Company, or any Group Company, and in respect of which the Executive had access to confidential information or with whose custom or business the Executive is or was personally concerned during that 12 month period.

17.2.4 During the Restricted Period she will not, interfere or endeavour to interfere with the continuance of the provision of goods or services to the Company, or any Group Company, by any supplier which was a supplier of goods or services to the Company, or any Group Company during the last 12 months of the Employment and with whom the Executive dealt to a material extent during that period.

17.2.5 During the Restricted Period she will not entice or try to entice away from the Company or any Group Company any person who is still employed by the Company or a Group Company during the Restricted Period and is a senior employee, director or full time senior consultant of such a company and with whom she worked closely in the last six months of the Employment.

17.3 Each of the obligations imposed on the Executive by this Section 17 extend to her acting not only on her own account but also on behalf of any other firm, company or other person and shall apply whether she acts directly or indirectly.

17.4 Following the Termination Date, the Executive will not represent herself as being in any way connected with the businesses of the Company, GSK plc or of any other Group Company (except to the extent agreed in writing by such a company).

17.5 Any benefit given or deemed to be given by the Executive to any Group Company under the terms of Section 17 is received and held on trust by the Company for the relevant Group Company. The Executive will enter into appropriate restrictive covenants directly with other Group Companies if asked to do so by the Company or GSK plc.

18 Reasonableness of Restrictions

18.1 Each of the obligations on the Executive contained in Section 17 constitutes a separate and independent restriction on the Executive notwithstanding that they may be contained in the same Section, paragraph or sentence.

18.2 Should the restrictions contained in Section 17 be found to be void but would be valid if some part thereof were deleted or the period or radius of application reduced, then such restriction shall apply with such modification as may be necessary to make it valid and effective. In particular, the Executive agrees that the restrictions are reasonable and necessary for the protection of the Company and the Group Companies.

18.3 If the Executive shall, during the Restricted Period, receive from any person, firm or company, an offer to provide services in any capacity whatsoever, or to enter into employment where acceptance of such offer, or the taking of such employment, might render her in breach of the provisions of this Agreement, she shall promptly advise the offeror of the existence of the restrictions set forth in Section 17 of this Agreement.

18.4 The Executive acknowledges that the Company may have no adequate remedy at law and would be irreparably harmed if the Executive breaches or threatens to breach the provisions of Section 17 above and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of Section 17 above, and to specific performance of the terms of each such Section in addition to any other legal or equitable remedy it may have. The Executive further agrees that she shall not, in any equity proceedings involving her relating to the enforcement of Section 17 above raise the defence that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have.

19 Severability

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

20 Successors and Assigns

20.1 This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case "**Company**", as used in this Agreement, shall mean such corporation or other entity. The foregoing shall not relieve the Company of any of its obligations under Section 16 of this Agreement. The rights of the Executive shall inure to the benefit of her heirs, executors, administrators and other personal representatives.

20.2 The Executive may not assign this Agreement or any part of it, or any rights thereunder or delegate any duties to be performed by her under it to anyone else.

21 Survivorship

To the extent contemplated by this Agreement, respective rights and obligations of the parties set out in this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

22 Notices

Any notice (including any Termination Notice) required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by courier, duly addressed to the party concerned at such address as the party may notify to the other. Any notice delivered personally under this Section 22 shall be deemed given on the date delivered and any notice sent by courier shall be deemed given on the date delivery is recorded by such courier.

23 Entire Agreement

23.1 This Agreement supersedes any previous written or oral agreement between the parties in relation to the matters dealt with within it. It contains the whole agreement between the parties relating to the Employment at the date the Agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that she has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

23.2 Neither party's rights or powers under this Agreement will be affected if:

23.2.1 one party delays in enforcing any provision of this Agreement; or

23.2.2 one party grants time to the other party.

24 Amendment or Modification; Waiver

No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorised officer of the Company who shall supply the Executive with evidence of such authority.

25 Withholding

Anything to the contrary notwithstanding, all payments required to be made by the Company under this Agreement to the Executive, or to her estate or beneficiaries, shall be subject to withholding of such amounts relating to taxes as the Company may be required to withhold pursuant to any applicable statute, law or regulation.

26 Indemnification and Insurance

26.1 The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit, proceeding, prosecution or governmental, regulatory or other investigation by reason of the fact of the Employment or that she is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another Group Company or entity except for any action instigated by the Company or the Executive (a "**Proceeding**"), she shall be indemnified by the Company to the fullest extent permitted by applicable law against all expenses, liabilities, fees, costs, damages and losses reasonably incurred or suffered by the Executive in connection with such a Proceeding (including any tax payable by the Executive as a result of payments made by the Company pursuant to this indemnity), including, without limitation, payment of expenses incurred in defending a Proceeding prior to the final disposition of such Proceeding; PROVIDED, however, that written notice of such Proceeding is given promptly to the Company by the Executive and the Company is permitted (where appropriate) to participate in and assume the defence of such Proceeding. The provisions of this Section 26 shall survive the termination of the Employment and shall be in addition to any other rights to indemnification to which the Executive may from time to time be entitled, whether under any applicable insurance policies or otherwise.

26.2 The Company will provide the Executive with Legal Expenses Insurance and Directors' and Officers' Liability Insurance under the Company's policy current from time to time in force to cover the period during which she acts as a director, officer or employee or agent of any Group Company or entity under this Agreement whether or not she remains a director, officer, employee or agent of any Group Company or entity at the time any claim under the policy is made.

27 Collective Agreements – Disciplinary Rules and Procedures

There are no collective agreements which directly affect the terms and conditions set out in this Agreement.

The Company's harassment and bullying policies, disciplinary rules and procedures and grievance procedures, as in force from time to time, shall apply to the Executive. The Company reserves the right to leave out any or all of the stages of those rules and procedures where it considers it appropriate to do so.

28 Data Protection

The Executive consents to the Company or any Group Company holding and processing both electronically and manually the data it collects which relates to the Executive for the purpose of the administration and management of its employees and its business and for compliance with applicable procedures, laws and regulations. The Executive also consents to the transfer of such personal information to other offices the Company may have or to a Group Company or to other third parties whether or not outside the European Economic Area for administration purposes and other purposes in connection with the Executive's employment where it is necessary or desirable for the Company to do so.

29 Governing Law

This Agreement shall be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of England. Each of the parties submits to the exclusive jurisdiction of the English courts as regards any claim or matter under this Agreement.

30 Titles

Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

In witness whereof the parties hereto have executed this Agreement as a deed on the day and year first above written

THE COMMON SEAL of
GLAXOSMITHKLINE SERVICES UNLIMITED was hereunto affixed in the presence of: } /s/ Paul Williamson

Director — P Williamson
For and on behalf of
Glaxo Group Limited
Corporate Director

Secretary — /s/ V A Whyte
V A Whyte

Signed Sealed and Delivered by the
said **EMMA N. WALMSLEY** in
the presence of: } /s/ Emma Walmsley

Name: — /s/ Allen James Powley

Address — Allen James Powley

Occupation

Exhibit 4.4

Dated 16 December 2017

GLAXOSMITHKLINE LLC

and

HAL V. BARRON

SERVICE AGREEMENT

This Agreement is made on 16 December 2017 **between**:

(1) **GLAXOSMITHKLINE LLC** whose trading office is at Five Crescent Drive, Philadelphia, Pennsylvania 19112, USA (the "**Company**"); and

(2) **HAL V. BARRON** (the "**Executive**").

1 Interpretation

1.1 In this Agreement (and any schedules to it)

"**Accrued Obligations**" means:

1.1.1 the Executive's base salary under this Agreement through to the end of the month in which the Termination Date occurs at the rate in effect on the Termination Date and the reimbursement (in accordance with Group policy) of any expenses incurred by the Executive prior to the Termination Date;

1.1.2 any unpaid bonus pertaining to the previous financial year and the product of any target bonus for the financial year in which the Termination Date occurs and a fraction, the numerator of which is the number of days in the Company's current financial year up to the Termination Date and the denominator of which is 365, paid as soon as practicable on or following the termination date;

1.1.3 any remuneration previously deferred by the Executive (together with any accrued interest) and not yet paid by the Company including payment for any accrued vacation not taken by the Executive, in each case paid in accordance with the applicable plan, policy or program of the Company; and

1.1.4 any other benefits to which the Executive is entitled, as determined in accordance with the applicable plans and policies of the Company;

"**Agreement**" means this employment agreement, which as of the date hereof supersedes and replaces any previous employment agreement between the Company and the Executive;

"**Board**" means the board of directors of the Company from time to time or any person or committee nominated by that board as its representative for the purposes of this Agreement;

"**Chief Executive Officer**" means the Chief Executive Officer of GSK plc from time to time;

"**Employment**" means the employment governed by this Agreement;

"**Group**" means the Company and any other Company controlling, controlled by or under the direct or indirect common control of the Company, including, without limitation, GSK plc and any of its subsidiaries from time to time;

"**Group Company**" means a member of the Group and "**Group Companies**" will be interpreted accordingly;

"**GSK Board**" means the board of directors of GSK plc from time to time or any person or committee nominated by the GSK Board as its representative for the purposes of this Agreement;

"**GSK plc**" means GlaxoSmithKline plc;

"**Termination Date**" means the date on which the Employment terminates pursuant to this Agreement.

1.2 References to any statutory provisions include any modifications or re-enactments of those provisions.

1.3 In this Agreement terms used in the context of the GlaxoSmithKline Performance Share Plan shall have the meaning ascribed to them in such plan.

2 Employment

The Company confirms the Employment of the Executive, and the Executive confirms his Employment with the Company, on the terms and conditions set out in this Agreement.

3 Termination by Notice

3.1 The Employment under the terms of this Agreement shall be deemed to have commenced on 1 January 2018, and the Employment shall continue until:

(i) the Employment is otherwise terminated in accordance with this Agreement; or

(ii) not less than 12 calendar months' notice in writing is given by the Company to the Executive; or

(iii) not less than 12 calendar months' notice in writing is given by the Executive to the Company; and, in any event,

(iv) at no point beyond 31 December 2024. In the event that this Agreement shall terminate pursuant to this Clause 3.1(iv), then the Executive shall thereafter be deemed an employee "at will" and shall be entitled only to payment of Accrued Obligations.

3.2 The Company may, in its absolute discretion, lawfully terminate the Employment of the Executive at any time, with immediate effect and without cause, by paying in aggregate to the Executive within 30 days of the date notice of termination is given to him a sum equal to his base salary (excluding any other benefits) for the period this Agreement would otherwise continue following such notice (not to exceed the maximum period of 12 months). For this purpose, salary shall be the base salary in effect at the date of termination of the Employment.

4 Duties and Responsibilities

4.1 The Executive shall be appointed as Chief Scientific Officer and President R&D. The Executive will be compensated at GSK grade 0. The Executive shall have such powers and duties as are from time to time given to him by the Chief Executive Officer or, if different, the person to whom the Executive reports, consistent with the Employment and this Agreement.

4.2 During the Employment, the Executive shall devote his full business time and energies to the business and affairs of the Company and GSK plc, consistent with any other duties and responsibilities he may have to any Group Companies. The Executive's time shall be allocated among the Group Companies in accordance with the Executive's reasonable judgment and dependent upon the level of his responsibilities to any other Group Company, subject to the overall supervision and direction of the Chief Executive Officer or, if different, the person to whom the Executive reports.

4.3 The Executive shall not, without the prior written consent of the GSK Board, accept directorships, trusteeships and other appointments (other than of Group Companies) or carry on or be engaged, concerned or interested either directly or indirectly in any other business or for profit activity. A list of the directorships and outside interests of the Executive approved by the GSK Board as at the date of this Agreement is attached as Appendix 1 to this Agreement. Any fees earned by the Executive in respect of such authorised activities may be retained by the Executive.

4.4 While the location of the Executive's activities shall be in or around San Francisco, CA subject to the overall supervision and direction of the Chief Executive Officer, in order to perform properly his duties, he will be required to undertake travel elsewhere in the world and in particular to the UK and Pennsylvania where the Company maintains its primary R&D centers. The Executive is required to reside at a location convenient to the Company's offices in or around San Francisco, CA (or such other location as the Company may determine) during the Employment.

5 Salary, etc.

5.1 In consideration of the services to be rendered by the Executive and the promises and covenants made by the Executive under this Agreement, specifically including Section 16, the Executive shall be paid a base salary at the rate of $1,700,000 per annum payable in accordance with the Company's pay practices for its executives from time to time in force (but not less frequently than calendar monthly). The salary will be credited to the Executive's bank account notified to the Company for the purpose or paid to Executive in check or cash or another manner compliant with applicable law. Salary shall be reviewed annually in accordance with the Company's normal administrative practices for its executives and may be increased (but not reduced) by the Company by such amount (if any) as it shall think fit.

5.2 The Executive shall be eligible, subject to Section 6.4, to participate:

(i) in all such cash bonus plans and programmes as are made available from time to time for executives of the Company generally of the same grade in the relevant jurisdiction in accordance with the Company's policy (or GSK plc's policy, as applicable); and

(ii) in respect of the salary provided by Section 5.1, in such incentive programmes as are made available from time to time for executives of the Company and/or GSK plc generally who are of the same grade in the relevant jurisdiction,

in each case, subject to the terms and conditions of such bonus plans and programmes from time to time in force. Any grant of share options or awards of performance shares under such plans and programmes shall be granted subject to performance conditions as determined by the GSK Board. The Executive's future participation in certain of these plans and programmes may be affected if the Executive does not satisfy the Share Ownership Requirements (as amended from time to time). It is agreed that in the event the Executive leaves the Company, the Executive will retain the relevant number of shares (as set out in the Share Ownership Requirements) until at least one year after the Termination Date. The Executive's salary under Section 5.1 of this Agreement shall be inclusive of any fees or other remuneration to which the Executive may be entitled or receives as a Director, alternate Director, specialist adviser, consultant or by virtue of any other office or appointment in any Group Company. The Executive shall account to the Company for all such fees or other remuneration by paying over or procuring to be paid over the same to the Company.

5.3 No Group Company shall be liable for any costs or expenses, including any costs or expenses pertaining to travel undertaken by the Executive, incurred as a result of any activity or participation in any role or capacity external to and unrelated to the Group. It is agreed that the Executive will promptly reimburse the Company against any such costs that may be incurred by the Group. Further, the Executive authorises the Company at any time to deduct from his salary, or any other monies payable to him by the Company, all sums which he owes the Company. If this is insufficient, the Company will require repayment of the balance.

6 Expenses and other Benefits

6.1 The Company shall promptly reimburse to the Executive all reasonable travel and other out of pocket expenses properly incurred by him in the performance of his duties under the Employment. The Executive will submit claims for expense reimbursement to the Company regularly with appropriate supporting documentation, and in accordance with the Company's policies in effect from time to time.

6.2 The medical benefit arrangements for the Executive and his family are as set out in the GlaxoSmithKline Executive Medical Plan (as amended from time to time). Details, including eligibility criteria, are set out in the *TotalReward* section on Connect GSK.

6.3 The Company at its expense shall provide the Executive with other benefits provided to executives of the Company of the same grade, and the Executive shall be eligible to participate in all benefit plans, practices and policies as are made available by the Company from time to time to its executives generally of the same grade subject to their terms and conditions from time to time in force. A list of all plans and programmes currently in operation is set out in Appendix 2. Details of the relevant plans and programmes are set out in the *TotalReward* section on Connect GSK.

6.4 The Company (and GSK plc, as applicable) reserves the absolute right and discretion to amend, modify or terminate all such benefits, plans and programmes as are referred to in Sections 5.2, 6.2, 6.3 and 8 at any time and for any reason.

7 Vacation

In addition to all Company Holidays, the Executive shall be entitled to 20 days' vacation in each year at full pay, which shall accrue rateably during the calendar year in accordance with Company policy as in effect from time to time, to be taken at such times as the business of the Company may permit. On termination of the Employment the Executive will be entitled to be paid for any accrued vacation not taken and will reimburse the Company for any vacation taken but not accrued in accordance with the terms of Company policy as in effect from time to time.

8 Pension and Life Insurance

The Executive shall be eligible to participate in the GlaxoSmithKline Cash Balance Pension Plan and any other retirement plans or deferred compensation programmes made available by the Company to its senior executives in the United States, including, without limitation, the GlaxoSmithKline Retirement Savings Plan and the GlaxoSmithKline Executive Supplemental Savings Plan, subject to the terms and conditions of such programmes from time to time in force. Details of such current plans and programmes are accessible from the intranet site "Connect GSK" and they are subject to amendment or withdrawal at the Company's discretion.

9 Illness and Leave of Absence

9.1 The Executive shall comply with the Company's leave of absence policies from time to time in force.

9.2 The Executive shall be eligible to participate in the Company's short-term and long-term disability plans or programmes in force from time to time.

9.3 If the Company has concerns about the Executive's ability to perform the essential functions of his role, the Company may require the Executive to have a medical examination every year (or at such shorter intervals as they may agree between them), by a doctor approved by the Company. The costs of such examinations shall be borne by the Company. The Executive agrees and understands that this provision is job related and consistent with business necessity of the Company.

10 Inventions and Copyright

The Company's Standard US Policy Requirements on Inventions, Copyright, and Confidentiality shall apply to the Executive. The Company's current policy language is attached as Appendix 3, which is incorporated by reference into this Agreement. The Executive expressly acknowledges and agrees to the terms, conditions, and promises contained in Appendix 3.

11 Confidentiality; Company Securities

Without prejudice to any other duty owed to the Company or to any Group Company, the Executive shall not, except in the proper performance of his duties or as authorised by the Board, during or after the Employment, use, retain, or disclose to any person any Confidential Information (defined below) obtained or created by him during the Employment.

11.1 In the course of the Employment, the Executive will obtain trade secrets and confidential information belonging to or relating to Group Companies and other persons. He will treat such information as if it falls within the terms of Section 11 and Section 11 will apply with any necessary amendments, to such information. If requested to do so by the Company, the Executive will enter into an agreement with other Group Companies and any other persons in the same terms as Section 11 with any amendments necessary to give effect to this provision.

11.2 For the purposes of this Agreement, the term "**Confidential Information**" shall include, but not be limited to confidential commercial, financial and strategic data pertaining to the Group and any other confidential information relating to the business or affairs of the Group including, without limitation, any invention, trade secret, manufacturing process or patent information. The term "Confidential Information" shall not include any information:

11.2.1 which is or becomes generally available to the public, or

11.2.2 which is acquired by the Executive apart from his association with the Group

other than, in each case, as a result of disclosure by the Executive or by any person to whom he has supplied information or by any person in breach of a duty of confidentiality. In addition, the term "Confidential Information" shall not include any information which the Executive is required to disclose by applicable law or regulation or by order of a court or governmental body of competent jurisdiction.

11.3 During the Employment, the Executive shall be bound, in respect of transactions in securities issued by any Group Company, by the Company's and GSK plc's policies from time to time in effect on employee securities dealing. In particular, the Executive shall advise the Company Secretary, Chief Financial Officer, Chief Executive Officer or Chairman of GSK plc before he or any member of his immediate family seeks to trade in such securities and shall be bound by any directions given by the Company Secretary, Chief Financial Officer, Chief Executive Officer or Chairman.

12 General Termination Provisions

12.1 On the termination of the Employment for whatever reason, or at any other time when requested to do so by the Company, the Executive, upon receipt of written request from the Company, shall promptly:

(i) deliver up to the Company any property belonging to the Company or any other Group Company which may be in his possession or under his control including Confidential Information, lists of customers, correspondence, documents and other property. The Executive will not retain any copies of any materials or other information. The Company shall promptly return to the Executive and permit him to remove from the premises of the Company and any other Group Company, any property, personal records, files, etc. belonging to the Executive; and

(ii) resign on request by the Company or the GSK Board (if he has not already done so) from all offices held by him in the Company and any other Group Company (except for any he is entitled to retain under any separate agreement with any Group Company), failing which the Executive irrevocably authorises the Company or GSK plc to appoint an officer of the Company or GSK plc to execute all documents on his behalf and do all things necessary to effect such resignations; PROVIDED, however, that any such resignations pursuant to this Section 12.1(ii) shall be without prejudice to the Executive's rights under this Agreement.

12.2 Any termination of the Employment shall be without prejudice to the Executive's and the Company's continuing obligations under this Agreement.

12.3 Upon the termination of the Executive's Employment for whatever reason, the Executive shall immediately repay all outstanding debts or loans due to the Company or any Group Company.

12.4 The terms of the US GSK Severance Pay Plan or any other severance policy as in force from time to time, shall not apply to the Executive.

13 Termination due to Death or Inability to Perform Essential Functions

13.1 In the event of the Executive's death the Employment will terminate automatically on the date of his death, which shall be the Termination Date for the purposes of this Agreement. His duly qualified executor shall be entitled to receive the Accrued Obligations.

13.2 The Company may elect to terminate the Employment immediately without advance notice or payment in lieu of notice by serving written notice, if an independent physician mutually agreeable to the Company and Executive has certified in writing that the Executive is unable to perform the essential functions of his role with or without reasonable accommodation and will not, to a reasonable degree of medical certainty, be able to resume performance of the essential functions of his duties with or without reasonable accommodations for the foreseeable future. The Executive hereby acknowledges and agrees that this provision is job related and consistent with business necessity, and that it would be an undue hardship for the Company to maintain the Employment under such circumstances. The Employment will terminate on the Termination Date specified in the Termination Notice.

13.3 In the event the Company delivers a Termination Notice under 13.2, the Executive shall immediately be relieved from all offices, appointments and responsibilities that he may then hold under the Employment and be relieved of any duty to work for or serve the Company or any Group Company. The Executive hereby acknowledges and agrees that this provision is job related and consistent with business necessity, and that it would be an undue hardship for the Company to maintain any of the Executive's offices, appointments, or responsibilities under such circumstances. The Executive shall be entitled only to the Accrued Obligations, together with such rights as are provided for in the applicable benefits plan(s) in which the Executive participates.

14 Termination for Cause

14.1 The Company shall be entitled to terminate the Employment effective immediately without notice or payment in lieu of notice for Cause (as defined in this Section 14) by serving written notice ("**Notice of Termination for Cause**").

14.2 "**Cause**" shall mean:

14.2.1 the Executive is convicted of any criminal offense which in the reasonable opinion of the Chairman of GSK plc or the GSK Board affects the Executive's position as Chief Scientific Officer and President R&D (other than a motoring offence for which no custodial sentence is given to him); or

14.2.2 the Executive, in carrying out his duties under the Employment, is found to have engaged in significant misconduct (e.g., violation of regulation, law, or a significant GSK policy, such as the Code of Conduct) in the sole determination of the Company; or

14.2.3 the Executive shall become personally bankrupt or insolvent; or

14.2.4 the Executive shall be or become prohibited by law from being an employee, officer, or director; or

14.2.5 the Executive commits a material breach of any term of this Agreement.

14.3 Any delay or forbearance by the Company in exercising any right of termination shall not constitute a waiver of it.

14.4 In the event that the Employment is terminated for Cause, the Employment shall terminate upon the date on which the Board serves Notice of Termination for Cause and, except as otherwise required by applicable law, the Executive shall be paid only previously earned compensation , up to the date of termination including reimbursement for expenses previously incurred and, save for the provisions of this Section 14.4, the Executive will have no claim for further compensation including incentive compensation or damages or any other remedy against the Company or any Group Company.

15 Termination by Notice Requirements, Additional Detail

15.1 Subject to Sections 13 and 14 of this Agreement, the Employment under the terms of this Agreement shall terminate on the occurrence of either:

15.1.1 The election of the Company, upon not less than 12 months notice in writing by the Company to the Executive in accordance with Section 3.1(ii); or

15.1.2 The election of the Executive, upon not less than 12 months notice in writing by the Executive to the Company in accordance with Section 3.1(iii).

Notwithstanding any other provision of this Agreement to the contrary, if, following delivery of the notice as required under Section 3.1(ii) or 3.1 (iii), the Executive abandons his employment with the Company prior to expiration of the 12 month notice period, the Executive shall be entitled to receive only those payments set forth in Section 15.3 of this Agreement.

15.2 In the event the Employment terminates pursuant to Section 15.1.1, the Executive shall be entitled to receive the Accrued Obligations on or as soon as practicable following the Termination Date coinciding with the expiration of the 12 month notice period. Alternatively, the Company may, in its absolute discretion, lawfully terminate the Employment immediately upon delivery of the written notice set forth in Section 3.1(ii) and pay the Executive a cash payment equal to 100% of his annual base salary (as in effect immediately prior to the Termination Date), payable in a lump sum as soon as practicable on or following the Termination Date and any remuneration previously earned or deferred by the Executive (together with any accrued interest) and not yet paid by the Company.

15.3 In the event the Employment terminates pursuant to Section 15.1.2, or if the Executive abandons the Employment following delivery of the notice set forth in Section 3.1(ii) or 3.1(iii) but prior to expiration of the 12 month notice period, except as otherwise required by applicable law, the Executive shall be entitled only to payment of all previously earned or deferred compensation then due and owing under this Agreement, up to the Termination Date, any unpaid bonus pertaining to the previous financial year, and reimbursement for expenses previously incurred and, save for the provisions of this Section 15.3, the Executive will have no claim for damages or any other remedy against the Company or any Group Company. In the event the Executive abandons the Employment following delivery of the notice set forth in Section 3.1(ii) or 3.1(iii) but prior to the expiration of the 12 month notice period, the Company may terminate the Employment effectively immediately and bring forward the Termination Date and, in this event, the Company agrees not to pursue any claim for damages arising out of the Executive's abandonment of the remaining notice period, save for its rights to enforce any other Section or Appendix of this Agreement including, but not limited to, Sections 10, 11, 12, 16, and 27 and Appendix 3 and 4, which are unaffected. The amounts described in this Section 15.3 shall be paid as soon as practicable on or following the Termination Date.

16 Restrictions during and after Termination of Employment

16.1 In this Section:

"**Restricted Business**" means any existing or prospective lines of business, any division, any business unit, or any product or service of the Group with which the Executive worked, or which the Executive supported, during the last 12 months of the Employment.

"**Restricted Period**" means any period during which the Executive is employed by the Company and the period of 12 months commencing on the Termination Date. In the event the Employment is terminated by Notice under paragraphs 15.1 and 3.1(ii) or 3.1(iii), the 12 month period is reduced by any time period between the delivery of Notice and the Termination Date itself.

16.2 The Executive will acquire Confidential Information and personal knowledge of and influence over customers, clients and employees of the Company, GSK plc and its Group Companies during the course of the Employment. The improper disclosure or use of such information or knowledge by the Executive would cause the Group irreparable harm. To protect these interests, and prevent such harm, the Executive agrees with the Company and GSK plc that the Executive will be bound by the following covenants:

16.2.1 During the Employment, the Executive will not be employed by, affiliated with (except as the holder, directly or indirectly, of less than 5 per cent of the shares) work for, or render services similar to those which the Executive is involved during the Employment on behalf of, any firm or business organization that competes or is planning to compete with the Restricted Business, or render services to, or assist in any way, any competitor of the Group by working on or having any involvement with products or services that are similar to the Restricted Business.

16.2.2 During the Employment, the Executive will not canvass, solicit or induce any customer, client or vendor of the Company or any Group Company to become a customer, client or vendor of any other person, firm, or corporation other than the Group with respect to the Restricted Business. After the Executive's Employment with the Company, the Executive will not use Confidential Information to canvass, solicit or induce any customer, client or vendor of the Company or any Group Company to become a customer, client or vendor of any other person, firm, or corporation other than the Group with respect to the Restricted Business.

16.2.3 During the Restricted Period, the Executive will not interfere or endeavor to interfere with the continuance of the provision of goods or services to the Company, or any Group Company, by any supplier which was a supplier of goods or services to the Company, or any Group Company during the last 12 months of the Employment.

16.2.4 During the Restricted Period, the Executive will not solicit or attempt to solicit any officer, director, senior employee or senior consultant of the Group to leave the Group to join or perform services on behalf of any other person or entity.

16.3 Each of the obligations imposed on the Executive by this Section 16 extend to the Executive acting not only on his own account but also on behalf of any other firm, company or other person and shall apply whether the Executive acts directly or indirectly.

16.4 Following the Termination Date, the Executive will not represent himself as being in any way connected with the businesses of the Company, GSK plc or of any other Group Company (except to the extent agreed in writing by such a company).

16.5 Any benefit given or deemed to be given by the Executive to any Group Company under the terms of this Section 16 is received and held in trust by the Company for the relevant Group Company. The Executive will enter into appropriate restrictive covenants directly with other Group Companies if asked to do so by the Company or GSK plc.

17 Consideration and Reasonableness of Restrictions

17.1 The Executive acknowledges that the restrictions contained in Section 16 are supported by consideration in the form of compensation received by the Executive under this Agreement.

17.2 Each of the obligations on the Executive contained in Section 16 constitutes a separate and independent restriction on the Executive notwithstanding that they may be contained in the same Section, paragraph or sentence.

17.3 Should the restrictions contained in Section 16 be found to be void but would be valid if some part thereof were deleted or the period or radius of application reduced, then such restriction shall apply with such modification as may be necessary to make it valid and effective. In particular, the Executive agrees that the restrictions are reasonable and necessary for the protection of the Company and the Group Companies.

17.4 If the Executive shall, during the Restricted Period, receive from any person, firm or company, an offer to provide services in any capacity whatsoever, or to enter into employment where acceptance of such offer, or the taking of such employment, might render the Executive in breach of the provisions of this Agreement, the Executive shall promptly advise the offeror of the existence of the restrictions set forth in Section 16 of this Agreement.

17.5 The Executive acknowledges that the Company may have no adequate remedy at law and would be irreparably harmed if the Executive breaches or threatens to breach the provisions of Section 16 above and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of Section 16 above, and to specific performance of the terms of each such Section in addition to any other legal or equitable remedy it may have. The Executive further agrees that he shall not, in any equity proceedings involving the Executive relating to the enforcement of Section 16 above raise the defense that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have.

18 Severability

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

19 Successors and Assigns

19.1 This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case "Company", as used in this Agreement, shall mean such corporation or other entity. The foregoing shall not relieve the Company of any of its obligations under Section 15 of this Agreement. The rights of the Executive shall inure to the benefit of his heirs, executors, administrators and other personal representatives.

19.2 The Executive may not assign this Agreement or any part of it, or any rights thereunder or delegate any duties to be performed by him under it to anyone else.

20 Survivorship

To the extent contemplated by this Agreement, respective rights and obligations of the parties set out in this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

21 Notices

Any notice (including any notice of termination of the Employment) required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by courier, duly addressed to the party concerned at such address as the party may notify to the other. Any notice delivered personally under this Section 21 shall be deemed given on the date delivered and any notice sent by courier shall be deemed given on the date delivery is recorded by such courier.

22 Entire Agreement

22.1 This Agreement supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in it. It contains the whole agreement between the parties relating to the Employment at the date the agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that he has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

22.2 Neither party's rights or powers under this Agreement will be affected if:

22.2.1 one party delays in enforcing any provision of this Agreement; or

22.2.2 one party grants time to the other party.

23 Amendment or Modification; Waiver

No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorised officer of the Company who shall supply the Executive with evidence of such authority.

24 Withholding

Anything to the contrary notwithstanding, all payments required to be made by the Company under this Agreement to the Executive, or to his estate or beneficiaries, shall be subject to withholding of such amounts relating to taxes as the Company may be required to withhold pursuant to any applicable statute, law or regulation.

25 Indemnification and Insurance

25.1 The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit, proceeding or governmental or other investigation by reason of the fact of the Employment or that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another Group Company or entity except for any action instigated by the Company or the Executive (a "**Proceeding**"), he shall be indemnified by the Company to the fullest extent permitted by applicable law against all expenses, liabilities and losses reasonably incurred or suffered by the Executive in connection with such a Proceeding (including any tax payable by the Executive as a result of payments made by the Company pursuant to this indemnity), including, without limitation, payment of expenses incurred in defending a Proceeding prior to the final disposition of such Proceeding; PROVIDED, however, that written notice of such Proceeding is given promptly to the Company by the Executive and the Company is permitted (where appropriate) to participate in and assume the defence of such Proceeding. The provisions of this Section 25 shall survive the termination of the Employment and shall be in addition to any other rights to indemnification to which the Executive may from time to time be entitled, whether under any applicable insurance policies or otherwise.

25.2 The Company will provide the Executive with Legal Expenses Insurance and Directors' and Officers' Liability Insurance under the Company's policy current from time to time in force subject to such cover being available at reasonable commercial rates.

26 Collective Agreements – Disciplinary Rules and Procedures

There are no collective agreements which directly affect the terms and conditions set out in this Agreement.

The Company's harassment and bullying policies, disciplinary rules and procedures and grievance procedures, as in force from time to time, shall apply to the Executive. The Company reserves the right to leave out any or all of the stages of those rules and procedures where it considers it appropriate to do so.

27 Executive Financial Recoupment Policy

The Company's standard policy on financial recoupment shall apply to the Executive. The current policy titled Executive Financial Recoupment Policy is attached as Appendix 4 and incorporated by reference herein.

28 Data Protection

The Executive consents to the Company or any Group Company holding and processing both electronically and manually the data it collects which relates to the Executive for the purpose of the administration and management of its employees and its business and for compliance with applicable procedures, laws and regulations. The Executive also consents to the transfer of such personal information to other offices the Company may have or to a Group Company or to other third parties whether or not outside the United States for administration purposes and other purposes in connection with the Executive's Employment where it is necessary or desirable for the Company to do so.

29 Section 409A

29.1 It is the intention of the parties to this Agreement that no payment or entitlement pursuant to this Agreement will give rise to any adverse tax consequences to the Executive under Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including that issued after the date hereof. The Agreement shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein to the contrary, the Company may take any action it deems necessary or desirable to amend any provision herein to avoid the application of or excise tax under Section 409A, after giving the Executive reasonable notice and opportunity to comment. Further, no effect shall be given to any provision herein in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A of the Code.

29.2 Any annual cash bonus that the Executive shall become entitled to receive hereunder for any calendar year shall be paid by the Company at such time and in such manner that annual bonuses are paid to other senior executives of the Company, but not later than the March 15 immediately following the end of the applicable calendar year; provided it shall not be a breach of this Agreement if payment is made later in the year to the extent the bonus is not determinable by March 15 and payment is made by payroll no later than December 31 of such year.

29.3 All payments to be made upon a termination of Employment under the Agreement will only be made upon a "separation from service" under Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of payment. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, the amounts payable under the Agreement to be made upon termination of Employment are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treas. Reg. §1.409A-1(b)(9)(iii). For purposes of the application of Treas. Reg. §1.409A-1(b)(4) (or any successor provision), each payment in a series of payments to the Executive will be deemed a separate payment.

29.4 Notwithstanding anything in this Agreement to the contrary, in the event that the Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, any payment under this Agreement that constitutes deferred compensation subject to 409A of the Code and would otherwise commence to be paid as a result of the Executive's "separation from service" (as defined in Section 409A of the Code and any Treasury Regulations promulgated thereunder), will not be made to the Executive before the lapse of six months after the date such payment would have been made but for this Section 29.4. Any payments that are postponed in accordance with this Section 29.4 shall be paid in a lump sum payment within 10 days after the end of the six month period. If the Executive dies during the postponement period prior to payment of the postponed amount, the amounts withheld on account of Section 409A of the Code shall be paid to the personal representative of the Executive's estate within 60 days after the date of Executive's death.

30 Governing Law

This Agreement shall be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of the Commonwealth of Pennsylvania. Each of the parties submits to the exclusive jurisdiction of the Commonwealth of Pennsylvania's courts as regards any claim or matter under this Agreement.

31 Titles

Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

In witness whereof the parties hereto have executed this Agreement as a deed on the day and year first above written

GLAXOSMITHKLINE LLC

By: /s/ Dan Troy

Name: Daniel B Troy

Title: General Counsel and SVP

Date: December 8, 2017

HAL V. BARRON

/s/ Hal V. Barron

Date: 16 December 2017

Signed Sealed and Delivered by the said
HAL V. BARRON in the presence of: } /s/ Carol Cunningham

Name: Carol Cunningham

Address

Exhibit 4.5

Dated 18 September 2018

GLAXOSMITHKLINE SERVICES UNLIMITED

and

IAIN MACKAY

SERVICE AGREEMENT

This Agreement is made on 18 September, 2018 **between**:

(1) **GLAXOSMITHKLINE SERVICES UNLIMITED** whose registered office is at GSK House, Brentford, Middlesex, TW8 9GS (the "**Company**"); and

(2) **IAIN MACKAY** (the "**Executive**").

1 Interpretation

1.1 In this Agreement (and any schedules to it)

"**Accrued Obligations**" means:

1.1.1 the Executive's base salary under this Agreement through to the end of the month in which the Termination Date occurs at the rate in effect on the Termination Date and the reimbursement (in accordance with Group policy) of any expenses incurred by the Executive prior to the Termination Date;

1.1.2 any unpaid bonus pertaining to the previous financial year and the product of any target bonus for the financial year in which the Termination Date occurs and a fraction, the numerator of which is the number of days in the Company's current financial year up to the Termination Date and the denominator of which is 365;

1.1.3 any remuneration previously deferred by the Executive (together with any accrued interest) and not yet paid by the Company including payment for any accrued holiday not taken by the Executive; and

1.1.4 any other benefits to which the Executive is entitled, as determined in accordance with the applicable plans and policies of the Company;

"**Board**" means the board of directors of the Company from time to time or any person or committee nominated by that board as its representative for the purposes of this Agreement;

"**Employment**" means the employment governed by this Agreement;

"**Group**" means the Company and any other company controlling, controlled by or under the direct or indirect common control of the Company, including, without limitation, GSK plc and any of its subsidiaries from time to time;

"**Group Company**" means a member of the Group and "**Group Companies**" will be interpreted accordingly;

"GSK Board" means the board of directors of GSK plc from time to time or any person or committee nominated by the GSK Board as its representative for the purposes of this Agreement;

"**GSK plc**" means GlaxoSmithKline plc;

"**Termination Date**" means the date on which the Employment terminates, whether on the expiration of notice to terminate the Employment pursuant to Section 3 or otherwise pursuant to this Agreement.

1.2 References to any statutory provisions include any modifications or re-enactments of those provisions.

1.3 In this Agreement, terms used in the context of the GlaxoSmithKline 2009 Performance Share Plan shall have the meaning ascribed to them in such plan.

2 Employment

The Company confirms the employment of the Executive, and the Executive confirms his employment with the Company, on the terms and conditions set out in this Agreement.

3 Termination by Notice

3.1 The Employment under the terms of this Agreement shall be deemed to have commenced on 14 January, 2019 and the Employment shall continue until:

(i) the Employment is otherwise terminated in accordance with this Agreement; or

(ii) not less than 12 calendar months' notice in writing is given by the Company to the Executive; or

(iii) not less than 12 calendar months' notice in writing is given by the Executive to the Company.

3.2 The Company may, in its absolute discretion, lawfully terminate the employment of the Executive at any time by paying to the Executive a sum equal to his basic salary (excluding any other benefits) for the period this Agreement would otherwise continue. For this purpose, basic salary shall be the basic salary in effect at the date of termination of the employment.

4 Duties and Responsibilities

4.1 The Executive shall be appointed as Chief Financial Officer and shall have such powers and duties as are from time to time given to him by the Chief Executive Officer consistent with the Employment and this Agreement. In addition, and for no additional consideration, the Executive shall serve as a director on the GSK Board and, if requested by the GSK Board, shall serve as a director on the Board or any other board of directors of any Group Company. The Executive agrees that for the purposes of the Working Time Regulations 1998 he is a managing executive.

4.2 During the Employment, the Executive shall devote his full business time and energies to the business and affairs of the Company and GSK plc, consistent with any other duties and responsibilities he may have to any Group Companies. The Executive's time shall be allocated among the Group Companies in accordance with the Executive's reasonable judgment and dependent upon the level of his responsibilities to any other Group Company, subject to the overall supervision and direction of the Chief Executive Officer.

4.3 The Executive shall not, without the prior written consent of the GSK Board, accept directorships, trusteeships and other appointments (other than of Group Companies) or carry on or be engaged, concerned or interested either directly or indirectly in any other business or activity.

4.4 The location of the Executive's activities shall be at GSK House, but subject to the overall supervision and direction of the Chief Executive Officer, and to perform properly his duties, he may be required to undertake reasonable travel elsewhere in the world. The Executive is required to reside at a location convenient to the Company's offices at GSK House (or such other location as the GSK Board may determine) during the Employment.

5 Salary, etc.

5.1 In consideration of the services to be rendered by the Executive under this Agreement the Executive shall be paid a salary at the rate of £850,000 per annum payable in accordance with the Company's pay practices for its executives from time to time in force (but not less frequently than calendar monthly). The salary will be credited to the Executive's bank account notified to the Company for the purpose. Salary shall be reviewed annually in accordance with the Company's normal administrative practices for its executives and may be increased (but not reduced) by the Company by such amount (if any) as it shall think fit.

5.2 The Executive shall be entitled subject to Section 6.4 to participate

(i) in all such cash bonus plans and programmes as are made available from time to time to board level executives of the Company in accordance with the Company's policy (or GSK plc's policy, as applicable); and

(ii) in respect of the salary provided by Section 5.1, in such incentive programmes as are made available from time to time to board level executives of the Company and/or GSK plc generally,

in each case subject to the terms and conditions of such bonus plans and programmes from time to time in force. Any grants of share options or awards of performance shares under such plans and programmes shall be granted subject to performance conditions as determined by the GSK Board. The Executive's future participation in certain of these plans and programmes may be affected if he does not satisfy the Share Ownership Requirements (as amended from time to time). It is agreed that in the event of the Executive retiring from the Company, the Executive will retain the relevant number of shares (as set out in the Share Ownership Requirements) until one year after the date on which the Executive retires from the Company in accordance with the terms of any Company policy (as may be in force from time to time).

5.3 The Executive's salary under Section 5.1 of this Agreement shall be inclusive of any fees or other remuneration to which the Executive may be entitled or receives as a Director, alternate Director, specialist adviser, consultant or by virtue of any other office or appointment in any Group Company. The Executive shall account to the Company for all such fees or other remuneration by paying over or procuring to be paid over the same to the Company.

5.4 GSK shall not be liable for any costs or expenses, including any costs or expenses pertaining to travel undertaken by the Executive, incurred as a result of any activity or participation in any role or capacity external to and unrelated to GSK or any Group Company. It is agreed that the Executive will promptly reimburse GSK against any such costs that may be incurred by GSK. Further, the Executive authorises the Company at any time to deduct from his salary, or any other monies payable to him by the Company, all sums which he owes the Company. If this is insufficient, the Company will require repayment of the balance.

6 Expenses and other Benefits

6.1 The Company shall promptly reimburse to the Executive all reasonable travel and other out of pocket expenses properly incurred in the performance of his duties under the Employment. The Executive will submit claims for expenses reimbursement to the Company regularly with appropriate supporting documentation.

6.2 The Executive is eligible to participate in the GlaxoSmithKline Cash Allowance and Car Ownership Scheme subject to the rules of the scheme as amended from time to time. Full details of the Scheme are available on the *TotalReward* section on myGSK.

6.3 The Company at its expense shall provide the Executive with other benefits provided to board level executives of the Company, and the Executive shall be entitled to participate in all benefit plans, practices and policies as are made available by the Company from time to time to its board level executives subject to their terms and conditions from time to time in force. Details of the relevant plans and programmes are set out in the *TotalReward* section on my GSK.

6.4 The Company (and GSK plc, as applicable) reserves the absolute right and discretion to amend, modify or terminate all such benefits, plans and programmes as are referred to in Sections 5.2, 6.2, 6.3 and 8 at any time and for any reason.

7 Holidays

In addition to all statutory and Bank Holidays, the Executive shall be entitled to 28 days' holiday in each year at full pay, in accordance with Company policy from time to time in force, which shall accrue rateably during the calendar year. Up to four days of such holiday shall be taken at times to be designated by the Company and the remainder shall be taken at such times as the business of the Company may permit. On termination of the Employment the Executive will be entitled to be paid for any accrued holiday not taken and will reimburse the Company for any holiday taken but not accrued.

Holiday which is not taken in the year in which it is accrued may be carried forward, in accordance with the Company's rules on the banking of holidays outlined in its Holiday Policy, as amended from time to time. Any holiday which is not banked in accordance with these rules will be lost.

8 Pension and Life Insurance

The Executive is entitled to be a member of the GSK Pension Plan Senior Executive section ("the Pension Plan"), subject to the conditions of the trust deed and rules governing the Pension Plan from time to time. If the Executive has reached or reaches any limit set by the Government relating to pension allowances, the Executive can opt out of the Pension Plan and the Company may pay him a cash supplement in lieu of any employer pension contributions. The Pension Plan is subject to amendment or withdrawal at the Company's discretion. Any contributions payable by the Executive to the pension plan will be deducted from salary via salary sacrifice. The Company shall provide the Executive with the benefit of life cover which would provide a lump sum equivalent to four times the level of his base salary in the event of death in service.

9 Sickness

9.1 The Executive shall comply with the Company's sick pay rules from time to time in force.

9.2 Without prejudice to the Company's right to terminate the Employment in accordance with Sections 3, 13, 14 and 15, if the Executive is absent from the Employment as a result of sickness or injury he shall be paid his full salary for the first 26 weeks' absence (whether or not consecutive) and half of his salary for the second 26 weeks (whether or not consecutive) in aggregate in any period of 24 calendar months. The amount of any benefit which the Executive is entitled to claim during that period of absence under any Social Security or National Insurance Scheme and/or any Scheme of which the Executive

is a non-contributory member by virtue of the Employment, will be deducted from any salary paid to him. The Company will pay the Executive statutory sick pay under the Social Security Contributions and Benefits Act 1992 (as amended) and any salary paid to him will be deemed to include statutory sick pay. The Company reserves the right to offset the amount of these benefits against salary paid to the Executive even if the Executive has not recovered them.

9.3 The Company may request the Executive to have a medical examination every year (or at such shorter intervals as they may agree between them), by a doctor approved by the Company. The costs of such examinations shall be borne by the Company.

10 Inventions and Copyright

The Company's standard policy on inventions and copyright from time to time in force shall apply to the Executive.

11 Confidentiality; Company Securities

11.1 Without prejudice to any other duty owed to the Company or to any Group Company, the Executive shall not, except in the proper performance of his duties or as authorised by the Board, during or after the Employment, use or disclose to any person any Confidential Information obtained by him during the Employment.

11.2 In the course of the Employment, the Executive is likely to obtain trade secrets and confidential information belonging to or relating to Group Companies and other persons. He will treat such information as if it falls within the terms of Section 11.1 and Section 11.1 will apply with any necessary amendments to such information. If requested to do so by the Company, the Executive will enter into an agreement with other Group Companies and any other persons in the same terms as Section 11.1 with any amendments necessary to give effect to this provision.

11.3 For the purposes of this Agreement, the term "**Confidential Information**" shall include, but not be limited to confidential commercial, financial and strategic data pertaining to the Group and any other confidential information relating to the business or affairs of the Group including, without limitation, any invention, trade secret, manufacturing process or patent information. The term "Confidential Information" shall not include any information:

11.3.1 which is or becomes generally available to the public; or

11.3.2 which is acquired by the Executive apart from his association with the Group

other than, in each case, as a result of disclosure by the Executive or by any person to whom he has supplied information or by any person in breach of a duty of confidentiality.

In addition, the term "Confidential Information" shall not include any information which the Executive is required to disclose by applicable law or regulation or by order of a court or governmental body of competent jurisdiction. This does not affect any rights the Executive has under Part IVA of the Employment Rights Act 1996.

11.4 During the Employment, the Executive shall be bound, in respect of transactions in securities issued by any Group Company, by the Company's and GSK plc's policies from time to time in effect on employee securities dealing. In particular, the Executive shall advise the Chief Executive Officer, Chairman or Company Secretary of GSK plc before he or any member of his immediate family seeks to trade in such securities and shall be bound by any directions given by the said Chief Executive Officer, Chairman or Company Secretary.

12 General Termination Provisions

12.1 On the termination of the Employment for whatever reason, or at any other time when requested to do so by the Company, the Executive, upon receipt of written request from the Company, shall promptly

(i) deliver up to the Company any property belonging to the Company or any other Group Company which may be in his possession or under his control including Confidential Information, lists of customers, correspondence, documents and other property. The Executive will not retain any copies of any materials or other information. The Company shall promptly return to the Executive and permit him to remove from the premises of the Company and any other Group Company, any property, personal records, files, etc. belonging to the Executive; and

(ii) resign on request by the Company or the GSK Board (if he has not already done so) from all offices held by him in the Company and any other Group Company (except for any he is entitled to retain under any separate agreement with any Group Company), failing which the Executive irrevocably authorises the Company or GSK plc to appoint an officer of the Company or GSK plc to execute all documents on his behalf and do all things necessary to effect such resignations; PROVIDED, however, that any such resignations pursuant to this Section 12.1(ii) shall be without prejudice to the Executive's rights under this Agreement.

12.2 Any termination of the Employment shall be without prejudice to the Executive's and the Company's continuing obligations under this Agreement.

12.3 Upon the termination of the Executive's employment for whatever reason, the Executive shall immediately repay all outstanding debts or loans due to the Company or any Group Company and the Company is hereby authorised to deduct from any payment of wages any sum in repayment of all or any part of such debts or loans.

12.4 The terms of the GSK Redundancy Policy as in force from time to time, shall not apply to the Executive who shall only be entitled to statutory redundancy pay in addition to any other entitlement under this Agreement if his Employment is terminated by reason of redundancy.

13 Termination due to Death or Disability

13.1 In the event of the Executive's death, the Employment will terminate automatically on the date of his death, which shall be the Termination Date for the purposes of this Agreement. His duly qualified executor shall be entitled to receive the Accrued Obligations.

13.2 The Company may elect to terminate the Employment immediately without notice or payment in lieu of notice by serving written notice ("**Termination Notice for Disability**"), if an independent physician selected by the Company has certified in writing that, by reason of a physical or mental illness or other condition of the Executive, the Executive is unlikely to be able to resume performance of duties under the Employment for the foreseeable future. The Employment will terminate on the Termination Date specified in the Termination Notice for Disability. Provided that the Company shall not be entitled to terminate the employment by reason of physical or mental illness or other condition if this would lead to the Executive becoming dis-entitled to benefits under the Company's or GSK plc's permanent health insurance plan.

13.3 In the event the Company delivers a Termination Notice for Disability, the Executive shall immediately be relieved from all offices, appointments and responsibilities that he may then hold under the Employment and be relieved of any duty to work for or serve the Company or any Group Company. The Executive shall be entitled only to the Accrued Obligations, together with such rights as are provided for in the applicable benefits plan(s) in which the Executive participates.

14 Termination for Cause

14.1 The Company shall be entitled to terminate the Employment immediately without notice or payment in lieu of notice for Cause (as defined in this Section 14) by serving written notice ("**Notice of Termination for Cause**").

14.2 "**Cause**" shall mean:

14.2.1 the Executive is convicted of any criminal offence which in the reasonable opinion of the Chairman of GSK plc or the GSK Board affects the Executive's position as Chief Financial Officer (other than a motoring offence for which no custodial sentence is given to him); or

14.2.2 the Executive, in carrying out his duties under the Employment, is found guilty of gross neglect, gross misconduct, or significant misconduct which would include but not be limited to violation of a relevant and material regulation or law, or of a significant GSK policy or the GSK Code of Conduct; or

14.2.3 the Executive shall become bankrupt or have an order under Section 252 of the Insolvency Act 1986 made in respect of him or if an interim receiver of his property is appointed under Section 286 of the Act; or

14.2.4 the Executive shall be or become prohibited by law from being a director; or

14.2.5 the Executive commits a serious breach of any material term of this Agreement.

14.3 Any delay or forbearance by the Company in exercising any right of termination shall not constitute a waiver of it.

14.4 In the event that the Employment is terminated for Cause, the Employment shall terminate upon the date on which the Board serves Notice of Termination for Cause and the Executive shall be entitled only to payment of all previously accrued and unpaid salary then due and owing under this Agreement, up to the date of termination including reimbursement for expenses previously incurred and, save for the provisions of this Section 14.4, the Executive will have no claim for damages or any other remedy against the Company or any Group Company.

15 Termination by Notice

15.1 If either notice to terminate the Employment is given by the Executive according to Section 3.1(iii) above, or if the Executive resigns without giving due notice and the Company does not accept his resignation or the Company has given notice in accordance with Section 3.1 (ii) above then the Company may require the Executive to comply with any and all of the provisions in this Section 15.1 for a maximum period of 12 months (the "**Garden Leave Period**").

15.1.1 The Company may require that the Executive does not:

(i) enter or attend the premises of the Company, or any Group Company; or

(ii) contact or have any communication with any customer or client of the Company, or any Group Company in relation to the business of the Company, or any Group Company; or

(iii) contact or have any communication with any employee, officer, director, agent or consultant of the Company, or any Group Company in relation to the business of the Company, or any Group Company; or

(iv) become employed or engaged by any company, partnership or other entity whether as an employee, director, partner or consultant or carry on any business either on his own account or for any other person whether directly or indirectly (except as the holder, directly or indirectly, of less than 5 per cent of the shares or save for those activities permitted in accordance with Section 4.3);

(v) remain or become involved in any aspect of the business of the Company, or any Group Company except as required by such companies.

15.1.2 The Company may require the Executive:

(i) to comply with the provisions of Section 12; and

(ii) to immediately resign from any directorship which he holds in the Company, and any Group Company or any other company where such directorship is held as a consequence or requirement of the Employment, unless he is required to perform duties to which any such directorship relates in which case he may retain such directorships while those duties are ongoing. The Executive hereby irrevocably appoints the Company to appoint an officer of GSK plc as his attorney to execute any instrument and do anything in his name and on his behalf to effect his resignation if he fails to do so in accordance with this Section 15.1.2(ii).

15.1.3 During any Garden Leave Period the Company may appoint another individual to carry out the duties of the Executive and the Executive shall:

(i) continue to be bound by the provisions of this Agreement and conduct himself with good faith towards the Company and not do anything that is harmful to the Company or any Group Company;

(ii) remain available to perform any reasonable duty requested by the Company or any Group Company and to co-operate generally with the Company or any Group Company to ensure a smooth handover of his duties (provided that if the Executive should fail to make himself available for such work having been requested by the Company or any Group Company to attend he shall, notwithstanding any other provision of this Agreement forfeit his right to salary and contractual benefits in respect of such period of non-availability).

15.1.4 During the Garden Leave Period, the Executive will be entitled to receive his salary and benefits in accordance with the terms of this Agreement including any bonus payable in accordance with Section 5.2 but excluding any share entitlements under Section 5.2 above.

15.1.5 Where the Company gives notice to terminate the Employment in accordance with Section 3.2 (except where termination is effected pursuant to the terms of Section 14) above then notwithstanding the continuation of the Employment during any period after notice has been given, including, any Garden Leave Period, within 30 days of the date such notice was given to the Executive, the Company shall pay to the Executive as a lump sum his full salary in respect of the entire period of notice (subject to deduction of tax and any other deductions required to be made) (the "**Lump Sum**"). For this purpose, full salary shall be the basic salary in effect at the date such notice is given to the Executive. For the avoidance of doubt, the payment by the Company to the Executive of the Lump Sum will extinguish any and all liability imposed on the Company under this Agreement to make any further payment to the Executive in respect of salary under this Agreement during any period after notice has been given, including, any Garden Leave Period.

15.1.6 After the payment of a Lump Sum pursuant to Section 15.1.5, at the end of or at any time during the Garden Leave Period the Company may at its sole and absolute discretion terminate the Employment by further written notice to the Executive without any further payment. In any event at the end of the 12 month Garden Leave Period the Employment will also terminate automatically and the Company shall be under no obligation to make any further payment to the Executive, save for in respect of any Accrued Obligations that may exist.

15.1.7 However, in the event that the Executive obtains an offer of future alternative employment with another employer, or otherwise wishes to take up alternative business activities, and he can satisfy the GSK Board that such employment/activities are not in breach of Section 16, the Company shall waive the balance of any unexpired notice period or the Garden Leave Period so as to enable the Executive to take up such alternative employment/activities; whereupon, subject to Section 12.3 above, the Company's obligations to the Executive under this Section 15.1 shall cease with effect from the agreed revised Termination Date.

15.1.8 The Company and the Executive agree that if the Company shall fully perform, when due, all its obligations under this Section 15, such performance shall be in full and final settlement of all and any claims or rights of action which the Executive might have against the Company, or any Group Company arising out of this Agreement or its termination or otherwise howsoever relating to the Employment.

16 Restrictions during and after Termination of Employment

16.1 In this Section:

"**Restricted Business**" means the businesses of the Company or any Group Company at the Termination Date (or if earlier the start of any Garden Leave Period ending on the Termination Date) with which the Executive was involved to a material extent during the last 12 months of the Employment; and,

"**Restricted Period**" means any period during which the Executive is employed by the Company (including for the avoidance of doubt, any Garden Leave Period) and the period of 12 months, less any Garden Leave Period imposed by the Company under Section 15 and less any period of notice worked by the Executive during the notice period set out in Section 3, commencing on the Termination Date.

16.2 The Executive is likely to obtain trade secrets and Confidential Information and personal knowledge of and influence over customers, clients and employees of the Company, GSK plc and its Group Companies during the course of the Employment. To protect these interests, the Executive agrees with the Company and GSK plc that the Executive will be bound by the following covenants:

16.2.1 During the Restricted Period he will not be employed or engaged in (except as the holder, directly or indirectly, of less than 5 per cent of the shares) any business which is or is about to be in competition with the Restricted Business.

16.2.2 During the Restricted Period the Executive will not canvass or solicit in competition with the Company, or any Group Company, the custom of any person who was during the last 12 months of the Employment a customer, or client of, or in the habit of dealing with, the Company, or (as the case may be) any Group Company and in respect of which the Executive had access to Confidential Information or with whose custom or business the Executive is or was personally concerned, during that 12 month period with a view to providing goods or services to that person in competition with any Restricted Business.

16.2.3 During the Restricted Period the Executive will not, in the course of any business concern which is in competition with the Restricted Business provide goods or services to or otherwise have any dealings with any person who was during the last 12 months of the Employment a customer, or client of, or in the habit of dealing with the Company, or any Group Company, and in respect of which the Executive had access to Confidential Information or with whose custom or business the Executive is or was personally concerned during that 12 month period.

16.2.4 During the Restricted Period the Executive will not, interfere or endeavour to interfere with the continuance of the provision of goods or services to the Company, or any Group Company, by any supplier which was a supplier of goods or services to the Company, or any Group Company during the last 12 months of the Employment and with whom the Executive dealt to a material extent during that period

16.2.5 During the Restricted Period he will not entice or try to entice away from the Company or any Group Company any person who is still employed by the Company or a Group Company during the Restricted Period and is a senior employee, director or full time senior consultant of such a company and with whom he worked closely in the last six months of the Employment.

16.3 Each of the obligations imposed on the Executive by this Section 16 extend to him acting not only on his own account but also on behalf of any other firm, company or other person and shall apply whether he acts directly or indirectly.

16.4 Following the Termination Date, the Executive will not represent himself as being in any way connected with the businesses of the Company, GSK plc or of any other Group Company (except to the extent agreed in writing by such a company).

16.5 Any benefit given or deemed to be given by the Executive to any Group Company under the terms of Section 16 is received and held on trust by the Company for the relevant Group Company. The Executive will enter into appropriate restrictive covenants directly with other Group Companies if asked to do so by the Company or GSK plc.

17 Reasonableness of Restrictions

17.1 Each of the obligations on the Executive contained in Section 16 constitutes a separate and independent restriction on the Executive notwithstanding that they may be contained in the same Section, paragraph or sentence.

17.2 Should the restrictions contained in Section 16 be found to be void but would be valid if some part thereof were deleted or the period or radius of application reduced, then such restriction shall apply with such modification as may be necessary to make it valid and effective. In particular, the Executive agrees that the restrictions are reasonable and necessary for the protection of the Company and the Group Companies.

17.3 If the Executive shall, during the Restricted Period, receive from any person, firm or company, an offer to provide services in any capacity whatsoever, or to enter into employment where acceptance of such offer, or the taking of such employment, might render him in breach of the provisions of this Agreement, he shall promptly advise the offeror of the existence of the restrictions set forth in Section 16 of this Agreement.

17.4 The Executive acknowledges that the Company may have no adequate remedy at law and would be irreparably harmed if the Executive breaches or threatens to breach the provisions of Section 16 above and, therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of Section 16 above, and to specific performance of the terms of each such Section in addition to any other legal or equitable remedy it may have. The Executive further agrees that he shall not, in any equity proceedings involving him relating to the enforcement of Section 16 above raise the defence that the Company has an adequate remedy at law. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have.

18 Severability

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

19 Successors and Assigns

19.1 This Agreement shall be binding upon and inure to the benefit of the Company or any corporation or other entity to which the Company may transfer all or substantially all of its assets and business and to which the Company may assign this Agreement, in which case "**Company**", as used in this Agreement, shall mean such corporation or other entity. The foregoing shall not relieve the Company of any of its obligations under Section 15 of this Agreement. The rights of the Executive shall inure to the benefit of his heirs, executors, administrators and other personal representatives.

19.2 The Executive may not assign this Agreement or any part of it, or any rights thereunder or delegate any duties to be performed by him under it to anyone else.

20 Survivorship

To the extent contemplated by this Agreement, respective rights and obligations of the parties set out in this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

21 Notices

Any notice (including any Termination Notice) required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by courier, duly addressed to the party concerned at such address as the party may notify to the other. Any notice delivered personally under this Section 21 shall be deemed given on the date delivered and any notice sent by courier shall be deemed given on the date delivery is recorded by such courier.

22 Entire Agreement

22.1 This Agreement supersedes any previous written or oral agreement between the parties in relation to the matters dealt with within it. It contains the whole agreement between the parties relating to the Employment at the date the Agreement was entered into (except for those terms implied by law which cannot be excluded by the agreement of the parties). The Executive acknowledges that he has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

22.2 Neither party's rights or powers under this Agreement will be affected if:

22.2.1 one party delays in enforcing any provision of this Agreement; or

22.2.2 one party grants time to the other party.

23 Amendment or Modification; Waiver

No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorised officer of the Company who shall supply the Executive with evidence of such authority.

24 Withholding

Anything to the contrary notwithstanding, all payments required to be made by the Company under this Agreement to the Executive, or to his estate or beneficiaries, shall be subject to withholding of such amounts relating to taxes as the Company may be required to withhold pursuant to any applicable statute, law or regulation.

25 Indemnification and Insurance

25.1 The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit, proceeding, prosecution or governmental, regulatory or other investigation by reason of the fact of the Employment or that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another Group Company or entity except for any action instigated by the Company or the Executive (a "**Proceeding**"), he shall be indemnified by the Company to the fullest extent permitted by applicable law against all

expenses, liabilities, fees, costs, damages and losses reasonably incurred or suffered by the Executive in connection with such a Proceeding (including any tax payable by the Executive as a result of payments made by the Company pursuant to this indemnity), including, without limitation, payment of expenses incurred in defending a Proceeding prior to the final disposition of such Proceeding; PROVIDED, however, that written notice of such Proceeding is given promptly to the Company by the Executive and the Company is permitted (where appropriate) to participate in and assume the defence of such Proceeding. The provisions of this Section 25 shall survive the termination of the Employment and shall be in addition to any other rights to indemnification to which the Executive may from time to time be entitled, whether under any applicable insurance policies or otherwise.

25.2 The Company will provide the Executive with Legal Expenses Insurance and Directors' and Officers' Liability Insurance under the Company's policy current from time to time in force to cover the period during which he acts as a director, officer or employee or agent of any Group Company or entity under this Agreement whether or not he remains a director, officer, employee or agent of any Group Company or entity at the time any claim under the policy is made.

26 Collective Agreements – Disciplinary Rules and Procedures

There are no collective agreements which directly affect the terms and conditions set out in this Agreement.

The Company's harassment and bullying policies, disciplinary rules and procedures and grievance procedures, as in force from time to time, shall apply to the Executive. The Company reserves the right to leave out any or all of the stages of those rules and procedures where it considers it appropriate to do so.

27 Governing Law

This Agreement shall be deemed a contract made under, and for all purposes shall be construed in accordance with, the laws of England. Each of the parties submits to the exclusive jurisdiction of the English courts as regards any claim or matter under this Agreement.

28 Titles

Titles to the Sections in this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the title of any Section.

In witness whereof the parties hereto have executed this Agreement as a deed on the day and year first above written

THE COMMON SEAL of
GLAXOSMITHKLINE SERVICES UNLIMITED was hereunto affixed in the presence of: } /s/ Paul Williamson

Director
P Williamson
Authorised Signatory
For and on behalf of
Edinburgh Pharmaceuticals Industries Limited
The Corporate Director

Secretary
/s/ Sonja Reynolds Arseniç
S Reynolds Arseniç
Authorised Signatory
For and on behalf of
Glaxo Group Limited
Corporate Director

Signed Sealed and Delivered by the
said **IAIN MACKAY** in the presence of: } /s/ Iain Mackay

Name: Robert Nicol

Address } /s/ Robert Nicol

Occupation

Exhibit 4.7

Execution version

DATE 27 MARCH 2018

GLAXOSMITHKLINE PLC

and

SETFIRST LIMITED

and

NOVARTIS AG

and

NOVARTIS HOLDING AG

and

NOVARTIS FINANCE CORPORATION

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

PUT OPTION IMPLEMENTATION AGREEMENT
relating to GlaxoSmithKline Consumer Healthcare Holdings Limited

---

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(SRN/DRJ/JODW)

551534464

CONTENTS

This **AGREEMENT** is entered into on 27 March 2018

BETWEEN:

(1) **GLAXOSMITHKLINE PLC,** a company registered in England under number 03888792 and whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS **("GSK");**

(2) **SETFIRST LIMITED,** a company registered in England under number 2332323 and whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS (the **"GSK Shareholder"** and provided that any person to whom A Shares are transferred by the GSK Shareholder pursuant to Clause 6.4 shall also be a GSK Shareholder);

(3) **NOVARTIS AG,** a share corporation (Aktiengesellschaft) registered in the Commercial Register of the Canton of Basel-Stadt, Switzerland under number CHE-103.867.266 and whose registered office is at Basel Switzerland and whose address is Lichstrasse 35, 4056 Basel **("Novartis");**

(4) **NOVARTIS HOLDING AG,** a company limited by shares (Aktiengesellschaft) registered in the Commercial Register of Basel-Stadt, Switzerland under number CHE-103.959.690 whose registered office is at Lichstrasse 35, 4056 Basel (the **"First Novartis Shareholder");**

(5) **NOVARTIS FINANCE CORPORATION,** a company incorporated under the laws of New York with an office at 230 Park Avenue, New York, NY 10169 (the **"Second Novartis Shareholder"** and, together with the First Novartis Shareholder, the **"Novartis Shareholders");** and

(6) **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED,** a company registered in England under number 08998608 and whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS (the **"Company"),**

each, a **"party"** and together, the **"parties".**

WHEREAS:

1. On 2 March 2015, GSK, the GSK Shareholder, Novartis, the Novartis Shareholders and the Company entered into the Shareholders' Agreement (as defined below).

2. Pursuant to the terms of the Shareholders' Agreement, the Novartis Shareholders may, from 2 March 2018 to 2 March 2035 (other than in certain restricted periods), serve notice to require the GSK Shareholder to purchase the B Shares (as defined below) (or specified tranches of them) from the Novartis Shareholders at the fully distributed public trading equity value of such B Shares (as determined in accordance with the provisions of the Shareholders' Agreement).

3. Novartis and the Novartis Shareholders wish to exit their investment in the Company and, accordingly, have agreed with GSK that this should take place at an agreed value having regard to the pricing methodology contained in the Shareholders' Agreement.

4. GSK, the GSK Shareholder, Novartis and the Novartis Shareholders have given their approval (for the purposes of the Shareholders' Agreement and for any other purpose) to the Company entering into this Agreement and have acknowledged that the Company's entry into this Agreement has been duly authorised by the Board (as defined below).

5. The parties now therefore wish to enter into this Agreement to set out their agreement in relation to various matters relating to the Company, including the reduction and cancellation of the B Shares and the payments of the amounts specified herein by the Company to the Novartis Shareholders.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement:

"A Director"	has the meaning given in the Shareholders' Agreement;
"A Shares"	has the meaning given in the Shareholders' Agreement;
"Accounting Policies"	has the meaning given in the Shareholders' Agreement;
"Affiliate"	means, with respect to any person, any other person that (directly or indirectly) Controls, is Controlled by or is under common Control with such person, and **"Affiliates"** shall be interpreted accordingly;
"Agreed Form"	in relation to any document means that document in a form agreed by the parties and initialled or otherwise confirmed for the purposes of identification by or on behalf of each party (including by its counsel);
"Applicable Law"	means any statute, law, rule, regulation, ordinance, code or rule of common law issued, administered or enforced by any governmental or regulatory authority, or any judicial or administrative interpretation thereof, including, for the avoidance of doubt, any rules issued by the FCA and the rules of any stock exchange;
"B Director"	has the meaning given in the Shareholders' Agreement;
"B Shares"	has the meaning given in the Shareholders' Agreement;
"Base Cash Amount"	has the meaning given in the Shareholders' Agreement;
"Board"	has the meaning given in the Shareholders' Agreement;
"Borrowings"	has the meaning given in the Shareholders' Agreement;

"CA 2006"	means the Companies Act 2006;
"Cancellation"	means the reduction of the capital of the Company by way of cancellation of the B Shares in accordance with the procedure set out under section 641(1)(a) of the CA 2006;
"Cancellation Solvency Statement"	means the solvency statement to be given by each of the directors of the Company at the time of such statement in connection with the Cancellation in accordance with section 643 of the CA 2006;
"Cancellation Statement of Capital"	means the statement of capital to be delivered by the Company to the Registrar in connection with the Cancellation in accordance with section 644(1)(b) of the CA 2006;
"Cancellation Statement of Compliance"	means the statement of compliance to be delivered by the Company to the Registrar in connection with the Cancellation in accordance with section 644(5) of the CA 2006;
"Cancellation Written Resolution"	means the special written shareholder resolution of the Company approving the Cancellation in accordance with section 641(1)(a) of the CA 2006;
"Cash Shortfall True-up Amount"	has the meaning given in Clause 9.3(B);
"Completion"	means closing of the Put Option Transaction in accordance with the terms of this Agreement;
"Completion Balance Sheet"	has the meaning given in Clause 9.1;
"Completion Business Day"	means a day which is not a Saturday, a Sunday or public holiday in the canton of Basel Stadt (Switzerland), in the canton of Zürich (Switzerland), in Luxembourg City (Luxembourg), in New York (US) or in London (United Kingdom);
"Completion Date"	has the meaning given in Clause 7;
"Conditions"	has the meaning given in Clause 3.1;
"Connected Persons"	has the meaning given in the Shareholders' Agreement;
"Consideration Amount"	means an amount equal to USD13,000,000,000;

"Control"	means, in relation to a person, the ability of another person to ensure that the activities and business of the first mentioned person are conducted in accordance with the wishes of that other person (whether by exercise of contractual rights, ownership of shares or otherwise), and a person shall be deemed to have Control of a body corporate if that person has the contractual right to procure that the activities and business of that body corporate are conducted in accordance with that person's wishes or if that person possesses the majority of the issued share capital or the voting rights in that body corporate or the right to receive the majority of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up (and **"Controller", "Controlled"** and **"Controlling"** shall be construed accordingly);
"Deed of Adherence"	means a deed of adherence to this Agreement in the form set out in Schedule 1;
"Default Rate"	means one per cent. above USD LIBOR per annum, accruing daily;
"Directors"	has the meaning given in the Shareholders' Agreement;
"Excess Cash True-up Amount"	has the meaning given in Clause 9.3(A);
"FCA"	means the Financial Conduct Authority;
"FSMA"	means the Financial Services and Markets Act 2000;
"GBP"	means pounds sterling;
"Governmental Authority"	means any supra-national, federal, national, state, county, local, municipal or other governmental, regulatory or administrative authority, agency, commission or other instrumentality, any court, tribunal or arbitral body with competent jurisdiction, or any national securities exchange;
"Governmental Order"	means any order, writ, judgment, injunction, decree, ruling or determination of or obtained by a Governmental Authority;
"Group"	means a person and that person's Affiliates from time to time;
"Group Transferee"	has the meaning given in the Shareholders' Agreement;
"GSK Articles of Association"	means the articles of association of GSK in force and effect from time to time;

"GSK Break Fee"	means an amount equal to USD200,000,000, as may be adjusted pursuant to Clause 13.7;
"GSK Break Fee Refund"	has the meaning given in Clause 8.4(A);
"GSK D&O Policy"	has the meaning given in the Shareholders' Agreement;
"GSK Directors"	means the directors of GSK from time to time;
"GSK Members"	means the holders of ordinary shares in the capital of GSK from time to time;
"GSK Recommendation"	has the meaning given in Clause 4.11(A);
"GSK Shareholder Approval Condition"	means the condition set out in Clause 3.1(A);
"GSK Shareholder Circular"	means the circular to be prepared by GSK and approved by the UKLA in connection with the Put Option Transaction (and including the GSK Shareholder Resolution) under and in accordance with the Listing Rules, including a notice convening a GSK Shareholder Meeting;
"GSK Shareholder Loan"	has the meaning given in the Shareholders' Agreement;
"GSK Shareholder Meeting"	has the meaning given in Clause 3.1(A);
"GSK Shareholder Resolution"	has the meaning given in Clause 3.1(A);
"GSK Sponsor"	means the person or persons acting as sponsor (as defined in the Listing Rules) in relation to the GSK Shareholder Circular;
"GSK Transaction Announcement"	means the announcement to be made by GSK in relation to the Put Option Transaction and this Agreement substantially in the Agreed Form (provided that only the parts of GSK's announcement relating to the Put Option Transaction and this Agreement are required to be in the Agreed Form);
"GSK Transferee"	has the meaning given in Clause 6.4;
"GSK Transferor"	has the meaning given in Clause 6.4;
"Guaranteed Party"	has the meaning given in Clause 11.1(A) and 11.1(B);
"Guarantor"	has the meaning given in Clause 11.1;

"Half-Yearly Accounting Period"	has the meaning given in the Shareholders' Agreement;
"Interest Rate"	means 0.20% per cent. above USD LIBOR per annum, accruing daily;
"Joint Shareholder Loan"	has the meaning given in the Shareholders' Agreement;
"Key Objectives"	has the meaning given in Clause 4.3;
"Listing Rules"	means the listing rules made by the FCA under section 73A of FSMA;
"Negative Condition"	has the meaning given to it in Clause 3.1(B);
"Novartis Percentage"	means the aggregate of the Percentage Interests of the Novartis Shareholders immediately prior to Completion;
"Novartis Transaction Announcement"	means the announcement to be made by Novartis in substantially the Agreed Form;
"Percentage Interests"	has the meaning given in the Shareholders' Agreement;
"Preparatory Capital Step"	means: (A) any capitalisation of any account or reserve (whether statutory or non-statutory) of the Company, including any issuance of deferred shares to a member of GSK's Group in connection with any such capitalisation; and (B) any reduction of any part of the share capital or any reducible reserve or account of the Company, that is, in either case, proposed by the Company or GSK to be carried out (i) prior to or contemporaneously with the Cancellation, and (ii) in connection with and in order to facilitate and/or support the Cancellation and the payments to be made hereunder in respect thereof by the Company to the Novartis Shareholders;
"Proceedings"	means any proceeding, suit or action arising out of or in connection with this Agreement, whether contractual or non-contractual;
"Put Option Transaction"	means the transaction being implemented under this Agreement;

"Readily Available Cash"	has the meaning given in the Shareholders' Agreement (including as amended by paragraph 1.2 of the letter agreement entered into between the parties on 23 June 2016);
"Registrar"	means the registrar of companies in England and Wales;
"Relevant Tax Deduction"	has the meaning given in Clause 16.2;
"Representatives"	means, in relation to any party, any of its and/or any other member of its Group's directors, officers, employees, agents, representatives, bankers, auditors, accountants, financial advisers, legal advisers and any other professional advisers;
"Reserved Matter"	has the meaning given in the Shareholders' Agreement;
"Resignation and Release Letter"	means a deed of resignation and release in the form set out in Schedule 2 to be provided by each of the B Directors to the Company in accordance with Clause 5.7(B);
"Service Document"	means a claim form, application notice, order, judgment or other document relating to any Proceedings;
"Shareholder Loan"	has the meaning given in the Shareholders' Agreement (and for the avoidance of doubt, any loan or other financing obtained by the Company from any member of GSK's Group in connection with this Agreement shall not be a Shareholder Loan);
"Shareholders"	means the GSK Shareholder(s) and the Novartis Shareholders;
"Shareholders' Agreement"	means the shareholders' agreement in relation to the Company, between GSK, the GSK Shareholder, Novartis, the Novartis Shareholders and the Company entered into on 2 March 2015, as amended pursuant to letter agreements dated 30 June 2015, 13 August 2015 and 23 June 2016;
"Shares"	has the meaning given in the Shareholders' Agreement;
"Tax", "Taxes" or "Taxation"	has the meaning given in the Shareholders' Agreement;
"Tax Authority"	has the meaning given in the Shareholders' Agreement;
"Third Party"	has the meaning given in the Shareholders' Agreement;

"Third Party Beneficiary"	has the meaning given in Clause 32.1;
"Third Party Rights Provisions"	has the meaning given in Clause 32.1;
"UK Business Day"	means a day which is not a Saturday, a Sunday or public holiday in London (United Kingdom);
"UKLA"	means the FCA acting in its capacity as the competent authority under FSMA;
"Unconditional Date"	has the meaning given in Clause 7;
"USD"	means US Dollars;
"USD LIBOR"	means the overnight London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for USD and displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate);
"VAT "	means: (A) any Tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); (B) to the extent not included in paragraph (A) above, any value added tax imposed by VATA 1994 and legislation and regulations supplemental thereto; and (C) any other Tax of a similar nature to the Taxes referred to in paragraph (A) or paragraph (B) above, whether imposed in a member state of the European Union in substitution for, or levied in addition to, the Taxes referred to in paragraph (A) or paragraph (B) above or imposed elsewhere;
"VATA 1994"	means the Value Added Tax Act 1994;
"Wholly-Owned Group"	has the meaning given in the Shareholders' Agreement; and
"Working Hours"	means 9.30 a.m. to 5.30 p.m. on a UK Business Day in the relevant place.

1.2 In construing this Agreement, unless otherwise specified:

(A) references to clauses and schedules are to clauses of, and schedules to, this Agreement;

(B) use of any gender includes the other genders and (unless the context otherwise requires) the singular shall include the plural and vice versa;

(C) references to a **"person"** shall be construed so as to include any individual, firm, company or other body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);

(D) **"body corporate"** shall have the meaning given in section 1173 of the Companies Act 2006;

(E) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;

(F) any reference to a **"day"** (including within the phrase **"UK Business Day"** or **"Completion Business Day")** shall mean a period of 24 hours running from midnight to midnight;

(G) references to **"include"** and **"including"** shall be deemed to be followed by the words **"without limitation";**

(H) references to **"indemnify"** any person against any circumstance shall include indemnifying and keeping it or him harmless from all actions, claims and proceedings from time to time made against it or him and all loss, damage, payments, costs or expenses suffered, made or incurred by it or him as a consequence of that circumstance and, unless otherwise specified, any indemnity given in this agreement shall be deemed to have been given on an after-Tax basis;

(I) a reference to any other document referred to in this Agreement is a reference to that other document as amended, varied, novated or supplemented (other than in breach of the provisions of this Agreement or that other document) at any time;

(J) headings and titles are for convenience only and do not affect the interpretation of this Agreement;

(K) a reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be treated as a reference to any analogous term in that jurisdiction;

(L) the rule known as the ejusdem generis rule shall not apply and accordingly general words introduced by the word **"other"** shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and

(M) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

1.3 The schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the schedules.

1.4 Any indemnity being given on an **"after-Tax basis"** means that the amount payable pursuant to the indemnity (the **"Payment")** shall be calculated in such a manner as will ensure that, after taking into account:

(A) any Tax required to be deducted or withheld from the Payment;

(B) the amount and timing of any additional Tax which becomes payable by the recipient of the Payment as a result of the Payment's being subject to Tax in the hands of that person; and

(C) the amount and timing of any Tax benefit which is obtained, by the recipient of the Payment to the extent that such Tax benefit is attributable to the matter giving rise to the indemnity payment or the receipt of the Payment,

the recipient of the Payment is in the same position as that in which it would have been if the matter giving rise to the indemnity payment had not occurred (or, in the case of a Payment arising by reference to a matter affecting a person other than the recipient of the Payment, the recipient of the Payment and that other person are, taken together, in the same position as that in which they would have been had the matter giving rise to the indemnity payment not occurred), provided that (i) the amount of the Payment shall not exceed that which it would have been if it had been regarded for all Tax purposes as received solely by the recipient and not any other person and (ii) if any party to this Agreement shall have assigned or novated the benefit of this Agreement in whole or in part or, after the date of this Agreement, have changed its Tax residence or the permanent establishment to which the rights under this Agreement are allocated then no Payment to that party shall be increased by reason of the operation of paragraphs (A) to (C) above to any greater extent than would have been the case had no such change taken place.

2. AGREEMENT

2.1 The parties agree that:

(A) at Completion, the Company shall carry out the Cancellation; and

(B) following the Cancellation taking effect in accordance with Applicable Law, the Company shall pay to the Novartis Shareholders the Consideration Amount in accordance with Clauses 8.3 and 8.4,

subject to and in accordance with the terms of this Agreement.

2.2 The parties agree that, by mutual agreement, the exit by Novartis and the Novartis Shareholders from their investment in the Company may be implemented by a transfer of the B Shares from the Novartis Shareholders to the GSK Shareholder(s) but otherwise on the terms and subject to the conditions of this Agreement.

3. CONDITIONS TO COMPLETION

3.1 Completion under this Agreement is in all respects conditional upon satisfaction or, where applicable, waiver of the following conditions:

(A) the passing at a duly convened and held general meeting of the GSK Members (the **"GSK Shareholder Meeting")** of an ordinary resolution to approve the Put Option Transaction to be implemented pursuant to this Agreement for the purposes of Chapter 11 of the Listing Rules in accordance with the requirements of the Listing Rules, the GSK Articles of Association and all other Applicable Law (the **"GSK Shareholder Resolution")** (this condition being the **"GSK Shareholder Approval Condition")**; and

(B) there not being any Governmental Order in effect (whether temporary, preliminary or permanent) issued by a Governmental Authority of competent jurisdiction that has the effect of making the Put Option Transaction illegal or otherwise restraining or prohibiting the consummation of it (this condition being the **"Negative Condition")**,

the matters described this Clause 3.1 being the **"Conditions".**

3.2 Each of the Conditions shall only be waivable with the consent of each of GSK and Novartis.

3.3 Each party confirms that, as at the date hereof, it is not aware of:

(A) any approval or consent that is required to be obtained or any other action needing to be taken in order to satisfy the Negative Condition; or

(B) subject to the satisfaction of the GSK Shareholder Approval Condition, any antitrust, legal, regulatory or Third Party approvals or consents as are mandatorily required by Applicable Law to be obtained in respect of the Put Option Transaction prior to Completion.

4. OBLIGATIONS IN RESPECT OF CONDITIONS TO COMPLETION

4.1 Subject to Clause 4.12, GSK shall use reasonable endeavours to:

(A) publish (or procure the publishing of) the GSK Shareholder Circular (together with the relevant forms of proxy) in accordance with (as to both issuance and content) Applicable Law;

(B) following the publication of the GSK Shareholder Circular and without prejudice to the other provisions of this Clause 4.1 and Clauses 4.2 to 4.4 (inclusive), publish (or procure the publishing of) any supplementary circular to the GSK Shareholder Circular (or any other amended, supplemental or supplemented material, document, announcement or notice to, or following the publishing of, the GSK Shareholder Circular) as is required to be published by GSK in connection with the Put Option Transaction and this Agreement under and in accordance with the Listing Rules or other Applicable Law (and, for the avoidance of doubt, unless so required by the Listing Rules or other Applicable Law, GSK shall not, subject always to Clause 4.12, seek to revise, alter, supplement or modify the GSK Shareholder Circular following its initial publication without Novartis's written consent (such consent not to be unreasonably withheld or delayed)); and

(C) fulfil (or procure the fulfilment of) the GSK Shareholder Approval Condition,

in each case, as soon as reasonably practicable having regard to the Key Objectives and with the further objective of achieving a Completion Date of 1 June 2018.

4.2 Subject to Clause 4.12, GSK shall:

(A) prior to the GSK Shareholder Meeting and subject to Applicable Law, keep Novartis informed, on a regular basis, of the number of proxy votes received in respect of the GSK Shareholder Resolution;

(B) in accordance with Applicable Law and regulation and the GSK Articles of Association, (i) hold (subject to any adjournment (any such adjournment being subject to the provisions of Clause 4.2(F)) such GSK Shareholder Meeting at the time and date specified in the GSK Shareholder Circular, and (ii) propose and hold a vote upon the GSK Shareholder Resolution (such resolution to be voted on by way of a poll) on such date;

(C) not amend the GSK Shareholder Resolution other than with the prior written consent of Novartis (not to be unreasonably withheld);

(D) permit a reasonable number of Novartis's advisers and representatives to attend the GSK Shareholder Meeting;

(E) not propose any resolution that would result in the revocation or invalidity of the GSK Shareholder Resolution such that the Put Option Transaction cannot be implemented in accordance with its terms;

(F) not adjourn the GSK Shareholder Meeting (or the vote on the GSK Shareholder Resolution) from the time and date specified in the GSK Shareholder Circular without the prior written consent of Novartis (not to be unreasonably withheld or delayed) unless, in the view of the GSK Directors (acting in good faith): (i) such adjournment is required by Applicable Law, (ii) it is not reasonably practicable to seek such consent because the adjournment is on account of a force majeure event or an emergency adjournment; (iii) such adjournment is reasonably necessary for the proper conduct of, or proper consideration of any matter at, the GSK Shareholder Meeting; or (iv) the motion to adjourn is only moved at the GSK Shareholder Meeting by GSK Shareholders (other than the GSK Directors);

(G) if the GSK Shareholder Meeting is adjourned to another day than that for which it was originally convened, procure that it shall be adjourned for as short a period as is reasonably practicable and permissible; and

(H) not induce or encourage any shareholder to seek to adjourn the GSK Shareholder Meeting.

4.3 For the purposes of Clause 4.1, the **"Key Objectives"** are the following:

(A) that the GSK Shareholder Circular contains all information necessary for the GSK Members to make a properly informed decision as to whether or not to pass the GSK Shareholder Resolution, taking account of the matters, circumstances or requirements relevant to the Put Option Transaction and this Agreement or to the satisfaction of any of the Conditions; and

(B) that the process of fulfilling the GSK Shareholder Approval Condition, including, for the avoidance of doubt, the publication of the GSK Shareholder Circular, shall be conducted so as to minimise, to the greatest extent possible, the risk of a supplementary circular to the GSK Shareholder Circular (or any other amended, supplemental or supplemented material, document, announcement or notice to, or following the publishing of, the GSK Shareholder Circular) being required to be published by GSK under the Listing Rules or otherwise.

4.4 The Key Objectives shall be solely for the GSK Directors to assess and deliver, acting in good faith after consultation with outside counsel and the GSK Sponsor(s). As at the date of this Agreement, and subject to Novartis's compliance with Clause 4.7, GSK's good faith expectation is that the Key Objectives are likely to be sufficiently advanced to enable it to submit a substantially complete first draft of the GSK Shareholder Circular to the UKLA for review in the timeframe stated in Clause 4.8 and that it would, in the ordinary course thereafter, therefore expect to be in a position to publish or procure the publishing of the GSK Shareholder Circular as soon as reasonably practicable following completion of the UKLA review process and the formal approval by the UKLA of the GSK Shareholder Circular, provided that:

(A) the matters, circumstances or requirements relevant to the Put Option Transaction, and/or to the satisfaction of any of the Conditions have, in each case, been finalised; or

(B) to the extent that any such matters, facts and/or circumstances referred to in Clause 4.4(A) have not been finalised, any remaining uncertainty in respect of them is not material, and such remaining uncertainty and the range of possible outcomes in relation to such matters, facts and/or circumstances are capable of full and fair disclosure in the GSK Shareholder Circular in a way that meets the Key Objectives,

and, without prejudice to the generality of Clauses 4.5 and 4.9, GSK shall keep Novartis informed and consult with Novartis in relation to its assessment of the matters specified in (A) and (B) above.

4.5 GSK shall keep Novartis informed on an on-going basis of anticipated timings in relation to the publishing of the GSK Shareholder Circular and of the satisfaction of the GSK Shareholder Approval Condition.

4.6 GSK shall take all reasonable steps as are required in connection with the preparation and approval by the UKLA of the GSK Shareholder Circular, with a view to having a near finalised draft of the GSK Shareholder Circular (subject to any such amendments as may be required to satisfy the Key Objectives and/or to reflect any other developments or changes in relation to the Put Option Transaction or any other matter) as soon as reasonably practicable following the date of this Agreement.

4.7 Novartis shall use reasonable endeavours to provide, either itself or through its Representatives, to GSK and/or its Representatives all such information, documentation, co-operation and assistance as GSK and/or any other member of its Group and/or any of its and/or their Representatives may reasonably request in connection with:

(A) the preparation, approval by the UKLA and/or publishing of the GSK Shareholder Circular;

(B) the preparation, approval by the UKLA and/or publishing of any supplementary circular to the GSK Shareholder Circular (or any other amended, supplemental or supplemented material, document, announcement or notice to, or following the publication of, the GSK Shareholder Circular) required to be published by GSK in connection with the transaction contemplated by this Agreement under and in accordance with the Listing Rules or otherwise;

(C) any preparation, approval by the UKLA and/or publishing of any ancillary documents to those set out in Clauses 4.7(A) and 4.7(B), including, for the avoidance of doubt, any form of proxy in connection with the GSK Shareholder Resolution;

(D) the convening of the GSK Shareholder Meeting for the purposes of passing the GSK Shareholder Resolution; and

(E) any other matter in connection with the satisfaction of the GSK Shareholder Approval Condition,

which information, documentation, co-operation and assistance shall include (without limitation) any information about Novartis and/or any other member of its Group reasonably required or necessary to be included in any public documents, announcements, statements and/or notices to be produced by GSK in connection with the GSK Shareholder Approval Condition under the Listing Rules or otherwise (including, for

the avoidance of doubt, the GSK Shareholder Circular and/or any supplementary circular thereto (and/or any other amended, supplemental or supplemented material, document, announcement or notice thereto or following the publication thereof)). Novartis further agrees that: (i) any information or documentation provided by it and/or any other member of its Group and/or any of its and/or their Representatives on its behalf pursuant to this Clause 4.7 shall be prepared in good faith and shall not be misleading in any material respect at the time of supply; and (ii) prior to publication of the GSK Shareholder Circular it will (reasonably promptly upon request by GSK) confirm to GSK whether any information or documentation within (i) continues not to be misleading in any material respect.

4.8 As at the date of this Agreement, it is GSK's expectation that a submission of a substantially complete first draft of the GSK Shareholder Circular will be made to the UKLA within two UK Business Days after (but excluding) the date of this Agreement. GSK will provide a copy of the submission draft to Novartis promptly following the date of this Agreement.

4.9 GSK shall and/or shall procure that its relevant professional advisers shall:

(A) as soon as reasonably practicable following the date of this Agreement and prior to publishing the GSK Shareholder Circular:

(i) give Novartis and its advisers a reasonable opportunity to review such GSK Shareholder Circular (or draft thereof); and

(ii) give reasonable consideration (acting in good faith) to all comments proposed by Novartis and its advisers in relation to the same within the timeframe specified by GSK and/or its professional advisers (acting reasonably when specifying such timeframe); and

(B) prior to publishing any supplementary circular to the GSK Shareholder Circular (and/or any other draft amended, supplemental and/or supplemented material, document, announcement and/or notice thereto or following the publication thereof), to the extent reasonably practicable:

(i) give Novartis and its advisers a reasonable opportunity to review the same; and

(ii) give reasonable consideration (acting in good faith) to all comments proposed by Novartis and its advisers in relation to the same within the timeframe specified by GSK and/or its professional advisers (acting reasonably when specifying such timeframe).

4.10 GSK shall provide Novartis and its advisers with any material written comments that GSK or its advisers may receive from time to time from the UKLA or its staff with respect to information contained in the GSK Shareholder Circular (or any ancillary or supplemental document thereto and/or any draft thereof) that (i) relates to or impacts upon the Put Option Transaction (or the timing thereof) or (ii) is information on or from Novartis and its Group. GSK shall promptly consult with Novartis and its advisers prior to responding to any such comments and shall provide Novartis with copies of all written responses to such comments (or if oral responses, reasonable summaries thereof). GSK and Novartis shall each use all reasonable endeavours to resolve, and each party agrees to consult and cooperate with the other party in resolving, all such comments as promptly as practicable after receipt thereof.

4.11 GSK confirms that its board of directors has by way of unanimous board resolution determined that this Agreement and the Put Option Transaction are in the best interests of GSK and the GSK Members as a whole. GSK shall procure that:

(A) the GSK Transaction Announcement shall include a statement of the GSK Directors' intention to unanimously recommend that the GSK Members vote in favour of the GSK Shareholder Resolution at the GSK Shareholder Meeting when convened (the **"GSK Recommendation");**

(B) the GSK Directors shall give the GSK Recommendation in the GSK Shareholder Circular;

(C) subject to Clause 4.12, the GSK Directors shall not adversely change, withdraw or qualify the GSK Recommendation (or, prior to publication of the GSK Shareholder Circular, their intention to provide such recommendation); and

(D) the GSK Shareholder Circular shall contain a statement that the GSK Directors intend, in respect of any personal shareholding in GSK that any such director may have at the time of the vote on the GSK Shareholder Resolution, to vote in accordance with the GSK Recommendation,

and provided that in the event that the GSK Directors shall at any time be minded to adversely change, withdraw or qualify the GSK Recommendation (or, prior to publication of the GSK Shareholder Circular, their intention to provide such recommendation), GSK shall promptly notify Novartis of the same and, in reasonable detail, of the facts, matters and circumstances underlying the same,

4.12 The obligations of GSK set out in Clauses 4.1, 4.2 and 4.11(A) to 4.11(D) (inclusive) are subject to the fiduciary duties (and any other duty to provide advice or recommendation to the GSK Shareholders) from time to time of the GSK Directors (as determined in good faith by the GSK Directors after consultation with external counsel).

4.13 For the purposes of Clauses 4.11(C) and 13.1(A), the GSK Directors shall be deemed not to have adversely changed, withdrawn or qualified:

(A) the GSK Recommendation if, following the publishing of the GSK Shareholder Circular, GSK is required to produce a supplementary circular thereto (and/or any other amended, supplemental and/or supplemented material, document, announcement and/or notice thereto or following the publishing thereof); or

(B) their intention to provide the GSK Recommendation if, prior to publishing of the GSK Shareholder Circular, GSK is required to make or issue any further announcement, statement or notice in relation to the Put Option Transaction, provided that in any such supplementary circular (or such amended, supplemental or supplemented material, document, announcement or notice thereto or following the publishing thereof) or, as the case may be, announcement, statement or notice, the GSK Directors re-affirm the GSK Recommendation or, as the case may be, their intention to provide the GSK Recommendation, in any such case, based on the matters, facts and circumstances as set out in any public announcements, statements or notices that have been and/or are made or given or in any documents that have been and/or are published, in any such case, by GSK in connection with the Put Option Transaction.

4.14 In relation to the Negative Condition, each party shall, and shall procure that each other relevant member of their respective Groups shall, co-operate with one another (acting reasonably) and take all such steps (which they are lawfully able to take) as are necessary in order to satisfy such Condition as soon as reasonably practicable following the date of this Agreement (save only where such step would have a material adverse effect on their respective Group).

5. CONDUCT BEFORE COMPLETION

5.1 Subject to Clause 12.1, the Shareholders' Agreement shall continue to have effect in accordance with its terms, save that, at all times prior to the termination of this Agreement (or as otherwise expressly modified or provided herein or as otherwise required to give effect to the terms of this Agreement):

(A) the B Directors shall not be entitled to participate in any part of the proceedings of the Board or receive any materials made available to the Board relating to the operation or performance of this Agreement (including the Cancellation or any Preparatory Capital Step), or any claim or liability arising in connection with it, and the quorum and notice provisions of Clause 8 of the Shareholders' Agreement shall apply on the basis that no notice is required to be given to the B Directors (and they shall not be necessary for any applicable quorum) in relation to such proceedings;

(B) where any Shareholder transfers all (but not some only) of its Shares to any other Group Transferee in accordance with Clause 17 of the Shareholders' Agreement, such Shareholder may only do so where the Group Transferee has first entered into a Deed of Adherence in respect of this Agreement in the form set out in Schedule 1 of this Agreement (which, for the avoidance of doubt, shall be in addition to such Group Transferee having entered into a Deed of Adherence in respect of the Shareholders' Agreement, as provided in the Shareholders' Agreement);

(C) the provisions of Clauses 19, 20 and 22 and Schedule 3 of the Shareholders' Agreement shall be disapplied until this Agreement is terminated, at which point such provisions shall have full force and effect in accordance with the terms of the Shareholders' Agreement;

(D) neither Novartis Shareholder shall be permitted to make a transfer of its B Shares under Clause 17 of the Shareholders' Agreement after the earlier of (i) the Unconditional Date, (ii) the date on which the B Directors resign from the Board, or (iii) the date that is 15 UK Business Days before any scheduled Completion Date. Clause 5.1(B) shall apply in respect of any such transfer made prior to such dates. Any transfer purported to be made in breach of this Clause 5.1(D) shall be void and of no effect; and

(E) in the event that the Company requests any funding from the Shareholders in accordance with Clause 13.2 of the Shareholders' Agreement, the Novartis Shareholders shall not participate in the provision of any Joint Shareholder Loan and any such funding need shall be met by a GSK Shareholder Loan only.

5.2 From the date of this Agreement until Completion, the Company shall continue to calculate and pay dividends to the Shareholders in accordance with its practice as at the date of this Agreement (including any interim dividends that the Company is accustomed to pay other than in respect of any Half-Yearly Accounting Period). The Company currently expects the first interim dividend in respect of the 12 month period to 31 December 2018 to be paid on or around 30 April 2018.

5.3 From the date of this Agreement until Completion, the Company shall (and GSK shall procure that the Company shall) conduct its business in the ordinary course (including with respect to cash management) in accordance with the Shareholders' Agreement, provided that this Clause 5.3 shall not prevent or restrict the Company from taking any step permitted or reasonably required by, or otherwise taken in connection with the transactions contemplated by, this Agreement.

5.4 The Company acknowledges and agrees that there are no Shareholder Loans outstanding as at the date of this Agreement. As at the date of this Agreement, the parties do not expect that there will be any Shareholder Loans outstanding at Completion.

5.5 The Novartis Shareholders shall exercise their voting rights (and execute any written shareholder resolution) to approve, and take all other steps as are reasonably required and identified in the steps plan provided to Novartis under Clause 5.11(A) (or any later steps plan provided prior to ten UK Business Days before the Completion Date that Novartis and its advisers are given a reasonable opportunity to review and in relation to which GSK and its advisers have given reasonable consideration (acting in good faith) to all comments proposed by Novartis and its advisers) to effect as soon as reasonably practicable, the Cancellation (as provided in Clause 8) and any Preparatory Capital Step, provided that any documentation pursuant to which (or relating to any meeting in which) the Novartis Shareholders are required to exercise their voting rights (or take any step reasonably required) pursuant to this Clause 5.5 is provided to the Novartis Shareholders no later than five UK Business Days prior to the earliest of (i) the date on which such voting rights are required to be exercised (or such step is reasonably required to be taken) and (ii) the Completion Date.

5.6 The parties agree that:

(A) the B Directors shall not be required to take any steps to approve and implement this Agreement (including the Cancellation or any Preparatory Capital Step), provided their resignations are effected in accordance with Clause 5.7; and

(B) in light of the negotiation of this Agreement, the B Directors have been and will be (on the grounds of conflict of interest on account of Novartis's interest in matters under this Agreement) recused from (and shall therefore not be required to take) any steps to review, approve and implement this Agreement (including the Cancellation or any Preparatory Capital Step) and shall resign in accordance with Clause 5.7,

provided that, for the avoidance of doubt, the parties acknowledge that the execution of this Agreement by the Company has been duly authorised by a resolution of the Board.

5.7 Novartis and the Novartis Shareholders shall, by no later than the fifth UK Business Day prior to the scheduled Completion Date (provided that the Unconditional Date has occurred prior to such date and otherwise by no later than the end of the Unconditional Date):

(A) procure that each of the B Directors resigns from the Board and relinquishes any rights which they may have had under any contract of employment with any member of the Company's Group or under any statutory provision (including any right to damages or compensation for breach of contract, loss of office, redundancy or unfair dismissal or on any other account whatsoever) other than in respect of accrued remuneration and expenses (if any) and to confirm that no agreement or arrangement (other than the provisions of the indemnity in Clause 10.4(A), any insurance policy in respect of directors' and officers' liability for the benefit of such director and any deed of indemnity in place for the benefit of such director) is outstanding under which any member of the Company's Group has or could have any obligation to any of them (though such resignation shall be without prejudice to the provisions of the indemnity in Clause 10.4 (A), any insurance policy in respect of directors' and officers' liability for the benefit of such director and any deed of indemnity in place for the benefit of such director); and

(B) procure that each of the B Directors shall deliver to the Company a Resignation and Release Letter in the form set out in Schedule 2 to this Agreement.

5.8 Promptly following Novartis and the Novartis Shareholders having complied with their obligations pursuant to Clause 5.7, the Company shall take all steps reasonably required to remove the B Directors as directors of the Company and shall update the books and records of the Company accordingly.

5.9 Following the resignations referred to in Clause 5.7, Novartis and the Novartis Shareholders shall not exercise any right under the Shareholders' Agreement or otherwise to nominate or have appointed any person as a B Director, provided that, if the Cancellation does not become effective by or on the date that is one UK Business Day after (but excluding) the Completion Date under Clause 7, the First Novartis Shareholder shall be entitled to re-nominate four individuals as B Directors in accordance with Clause 6.2 of the Shareholders' Agreement and the Company shall give effect to any such nomination (by appointing such nominees as B Directors).

5.10 Novartis shall indemnify GSK (on its own behalf and on behalf of any member of its Group) and the Company (on its own behalf and on behalf of any member of its Group) on an after-Tax basis against any claim, whether for compensation for loss of office, wrongful dismissal or otherwise, which arises out of any B Director ceasing to hold office under Clause 5.7.

5.11 GSK shall and/or shall procure that its relevant professional advisers shall:

(A) within 20 UK Business Days following the date of this Agreement:

(i) provide Novartis with a draft steps plan or other similar document in relation to the Cancellation (or any matter within Clauses 6.1(A) or 6.1(B)) that seeks to achieve the earliest possible confirmation from the Registrar on the Completion Date that the Cancellation has become effective in accordance with Applicable Law;

(ii) give Novartis and its advisers a reasonable opportunity to review such draft; and

(iii) give reasonable consideration (acting in good faith) to all comments proposed by Novartis and its advisers in relation to the same within the timeframe specified by GSK and/or its professional advisers (acting reasonably when specifying such timeframe); and

(B) no later than 5 UK Business Days prior to GSK and/or the Company circulating final versions of any documents required in connection with the Cancellation (or any matter within Clauses 6.1(A) or 6.1(B)) to the relevant parties for their execution of such documents:

(i) give Novartis and its advisers a reasonable opportunity to review drafts of such documents; and

(ii) give reasonable consideration (acting in good faith) to all comments proposed by Novartis and its advisers in relation to the same within the timeframe specified by GSK and/or its professional advisers (acting reasonably when specifying such timeframe).

5.12 Novartis hereby undertakes to GSK and the Company that, as required by Listing Rule 11.1.7R(4), Novartis shall not, and shall take all reasonable steps to ensure that its associates (as such term is defined in the Listing Rules) shall not, vote on the GSK Shareholder Resolution, in each case to the extent that Novartis or any such associate either holds or acquires any shares in GSK or other securities of GSK conveying upon it a right to vote at the GSK Shareholder Meeting.

6. APPROVALS AND CONSENTS

6.1 To the extent that the Put Option Transaction or the execution or performance of this Agreement (or any step or part thereof or any action reasonably required or reasonably undertaken in connection therewith), including (without limitation):

(A) any financing of the Company by GSK, any member of its Group or any Third Party in connection with the Put Option Transaction (whether such financing takes the form of debt or equity financing and including the issue of shares by the Company in relation to any equity financing); or

(B) any Preparatory Capital Step,

constitutes a Reserved Matter requiring the prior written approval of Novartis under the Shareholders' Agreement, Novartis hereby grants its prior written approval to the Put Option Transaction and the execution or performance of this Agreement (and any step or part of it or any action reasonably required or reasonably undertaken in connection therewith) for the purposes of the Shareholders' Agreement generally (including, without limitation, Clause 4.1 of the Shareholders' Agreement) and agrees that each of the Company and the A Directors (the B Directors having been recused from such matters as described in Clause 5.6(B)) are authorised to take such steps as, in GSK's or the Company's reasonable opinion, are necessary in connection with or to give effect to the Put Option Transaction or this Agreement, provided that it is agreed that:

(i) no reduction of share capital or any reducible reserve or account shall take place without the consent of Novartis prior to the date on which the B Directors resign from the Board pursuant to Clause 5.7;

(ii) any reduction of share capital or any reducible reserve or account shall ensure that sufficient distributable reserves remain to allow payment of the Excess Cash True-up Amount; and

(iii) no transaction referred to in this Clause 6.1 shall take place prior to the Unconditional Date.

6.2 The parties hereby acknowledge and agree that:

(A) any proceedings of the Board undertaken in connection with approving and authorising the Company's entry into this Agreement constituted valid proceedings of the Board notwithstanding that no B Directors participated in, or voted on any resolutions proposed in the course of, such proceedings;

(B) the quorum and notice provisions of Clause 8 of the Shareholders' Agreement and any contrary provisions of the Company's articles of association are disapplied in relation to such proceedings; and

(C) the execution and delivery of, and the performance by the Company of its obligations under, this Agreement does not constitute a breach of any provision of the Shareholders' Agreement or the Company's articles of association.

6.3 GSK and the GSK Shareholder each hereby irrevocably and unconditionally:

(A) acknowledges and confirms that it has and will have no claim or right of action of any kind (whether contractual, statutory or otherwise and whether or not known on the date of this Agreement) outstanding against the B Directors in respect of the holding or termination of each of their offices and in respect of the Cancellation or any Preparatory Capital Step; and

(B) to the extent that any such claim exists or may exist, waives such claim and releases and forever discharges each B Director from any liability in respect thereof.

6.4 Without prejudice to the rights of any person under Clause 17 of the Shareholders' Agreement, Novartis and the Novartis Shareholders hereby consent to the transfer by the GSK Shareholder or any other holder of A Shares from time to time (a **"GSK Transferor")** of some of the A Shares to any other body or bodies corporate in the same Wholly-Owned Group (a **"GSK Transferee"),** provided that such GSK Transferee shall first have entered into (i) a Deed of Adherence in respect of the Shareholders' Agreement in the form set out in Schedule 2 of the Shareholders' Agreement and (ii) a Deed of Adherence in respect of this Agreement in the form set out in Schedule 1 of this Agreement.

6.5 The GSK Transferor and the GSK Transferee of any A Shares transferred pursuant to Clause 6.4 shall each at their own expense provide to the Novartis Shareholders any information and evidence reasonably requested in writing by the Novartis Shareholders for the purpose of determining whether the transfer to the GSK Transferee complies with the terms of Clause 6.4.

6.6 Without prejudice to Clause 6.4, any GSK Transferor that transfers some (but not all) of its A Shares pursuant to Clause 6.4 shall procure that the GSK Transferee complies with the provisions of this Agreement.

7. TIMING OF COMPLETION

Completion shall occur on the later of:

(A) the first Completion Business Day of the calendar month following the calendar month in which satisfaction of the Conditions take place (the date on which such Conditions are satisfied being the **"Unconditional Date");** or

(B) the first Completion Business Day that is at least the fourth UK Business Day after (and excluding) the Unconditional Date,

(the **"Completion Date"),** provided that in determining the date on which satisfaction of the Conditions takes place, that date shall be the date on which the GSK Shareholder Approval is satisfied or waived unless the Negative Condition is not satisfied or waived as at that date, in which case it shall then be the first following Completion Business Date on which the Negative Condition is satisfied or waived.

8. CANCELLATION AND PAYMENT OF CONSIDERATION AMOUNT

8.1 At Completion:

(A) subject to Novartis and the Novartis Shareholders having complied with their obligations under Clauses 5.5 and 5.7, the Company shall, and GSK shall procure that the Company shall:

(i) procure that each director of the Company (as at the Completion Date) executes (if not previously executed and in any event prior to the circulation for execution of the Cancellation Written Resolution) the Cancellation Solvency Statement and, once duly executed, the Company shall send or submit it to each Shareholder together with the proposed Cancellation Written Resolution;

(ii) execute the Cancellation Written Resolution (on behalf of the Board);

(iii) execute the Cancellation Statement of Capital;

(iv) procure that each director of the Company (as at the Completion Date) executes the Cancellation Statement of Compliance immediately following the passing of the Cancellation Written Resolution;

(v) at opening of the Registrar's business hours on the Completion Date, use its best endeavours to file the Cancellation Solvency Statement (having been executed by each director of the Company), the Cancellation Written Resolution (having been executed by the Company (on behalf of the Board), the GSK Shareholder(s) and the Novartis Shareholders), the Cancellation Statement of Capital (having been executed by the Company) and the Cancellation Statement of Compliance (having been executed by each director of the Company) with the Registrar in order that the Cancellation be effected as soon as possible on the Completion Date (or as soon as reasonably practicable thereafter);

(vi) at opening of the Registrar's business hours on the Completion Date, use its best endeavours to pay to the Registrar the fee required in order that the Cancellation be effected as soon as possible on the Completion Date (or as soon as reasonably practicable thereafter); and

(vii) use its best endeavours to, on the same day as Completion, take all other steps as are reasonably required in order to effect the Cancellation on the Completion Date (or as soon as reasonably practicable thereafter) and record the same in the books and records of the Company;

(B) the GSK Shareholder(s) shall, and GSK shall procure that the GSK Shareholder(s) shall:

(i) execute the Cancellation Written Resolution indicating its agreement to the Cancellation Written Resolution; and

(ii) take all other steps as are reasonably required to effect the Cancellation as soon as reasonably practicable; and

(C) the Novartis Shareholders shall, and Novartis shall procure that each of the Novartis Shareholders shall:

(i) execute the Cancellation Written Resolution indicating its agreement to the Cancellation Written Resolution; and

(ii) take all other steps as are reasonably required to effect the Cancellation as soon as reasonably practicable.

8.2 In consideration for the Cancellation the Company shall be obliged to pay to the Novartis Shareholders the Consideration Amount in accordance with Clauses 8.3 and 8.4.

8.3 Subject to Clause 8.4, promptly following the Cancellation having taken effect in accordance with Applicable Law, the Company shall, and GSK shall procure that the Company shall, pay in accordance with Clause 15:

(A) to the First Novartis Shareholder USD12,056,164,384; and

(B) to the Second Novartis Shareholder USD943,835,616,

in each case on the same Completion Business Day as the Cancellation takes effect in accordance with Applicable Law (or, if the Cancellation takes effect on a day that is not a Completion Business Day, on the next following Completion Business Day).

8.4 In the event that:

(A) an amount equal to the GSK Break Fee has become payable by Novartis to GSK pursuant to Clause 13.4 (the **"GSK Break Fee Refund");** and

(B) Novartis has not paid such amount to GSK in accordance with Clause 13.4 by or on the date on which the Consideration Amount becomes payable by the Company pursuant to Clause 8.3,

then:

(i) the amount payable by the Company to the Novartis Shareholders on the date specified pursuant to Clause 8.3 shall be reduced by an amount equal to the GSK Break Fee Refund (such reduction to be applied to the amounts payable pursuant to Clauses 8.3 (A) and 8.3(B) pro rata according to the ratio of such amounts); and

(ii) in the event that Novartis pays the GSK Break Fee Refund to GSK, the Company shall pay an amount equal to the GSK Break Fee Refund to the Novartis Shareholders (pro rata according to the ratio of the amounts set out in Clauses 8.3(A) and 8.3(B)) promptly, and in any event on the first Completion Business Day, after Novartis pays the GSK Break Fee Refund to GSK in accordance with Clause 13.4.

8.5 Upon the Cancellation becoming effective in accordance with Applicable Law, the Shareholders' Agreement shall terminate in accordance with Clause 12.

8.6 In the event that the Consideration Amount is not paid by or on the first Completion Business Day after the Completion Date, interest shall be payable on the Consideration Amount from (and including) the next day to (but excluding) the date of actual payment (as well after as before judgment) at the Interest Rate. No interest shall be payable under this Clause 8.6 in respect of any day where interest is also levied under Clause 15.3.

8.7 Subject to the Novartis Shareholders' rights under Clause 5.9, each Novartis Shareholder undertakes not to exercise, without the prior written consent of the GSK Shareholder, any of the rights, powers and privileges attaching to its B Shares or otherwise capable of being exercised by the registered holder of its B Shares from the time at which the Cancellation Written Resolution has been passed until the Cancellation has become effective in accordance with Applicable Law.

9. TRUE-UP FOLLOWING COMPLETION

9.1 As soon as reasonably practicable and, in any event, within 45 UK Business Days following Completion, the Company shall, and GSK shall procure that the Company shall, (acting in good faith) prepare (in accordance with the Accounting Policies) and provide to the parties to this Agreement an audited interim consolidated balance sheet for the Company as at (and including) the last day of the calendar month immediately prior to the Completion Date with the notes thereto showing the amount of Readily Available Cash (the **"Completion Balance Sheet").**

9.2 For the avoidance of doubt, the Completion Balance Sheet shall be prepared on a basis that disregards:

(A) matters occurring in any period from and including the Completion Date (including, without limitation, the Cancellation, payment of the Consideration Amount, the Excess Cash True-up Amount or the Cash Shortfall True-up Amount (as applicable)); and

(B) any changes affecting the balance sheet of the Company arising as a result of or in connection with the Cancellation (including steps preparatory thereto) or the Put Option Transaction, and including, without limitation:

(i) any such changes relating to the receipt of any financing by the Company in connection with the Put Option Transaction, including the issuance of shares by any member of the Company's Group to any member of the GSK Group or any Borrowings by any member of the Company's Group; and

(ii) any Preparatory Capital Step that is undertaken.

9.3 If, following the provision of the Completion Balance Sheet in accordance with Clause 9.1, the aggregate amount shown in the Completion Balance Sheet in respect of Readily Available Cash is:

(A) greater than the Base Cash Amount, then the Company shall pay to the Novartis Shareholders (pro rata according to their respective Percentage Interests immediately prior to Completion) an amount in GBP equal to the lesser of (i) such difference or (ii) the amount of distributable reserves as stated in the Completion Balance Sheet, in either case multiplied by the Novartis Percentage (the **"Excess Cash True-up Amount");** or

(B) less than the Base Cash Amount, then the Novartis Shareholders shall pay to the Company an amount in GBP equal to such difference multiplied by the Novartis Percentage (the **"Cash Shortfall True-up Amount").**

in either case, on the first Completion Business Day that is at least ten UK Business Days after (but excluding) the date on which the Completion Balance Sheet is provided in accordance with Clause 9.1.

9.4 For the avoidance of doubt, any payment made or liability incurred pursuant to Clause 9.3 by either the Novartis Shareholders or the Company shall be treated as an adjustment to the consideration for the Cancellation to the extent of the payment or liability.

10. WARRANTIES AND INDEMNITIES

10.1 Each party warrants to the other parties that each of the following statements is accurate in respect of itself in all respects and not misleading at the date of this Agreement and will be accurate in all respects and not misleading at the date on which Completion occurs as if repeated immediately before Completion by reference to the facts and circumstances subsisting at that date:

(A) it has the requisite power and authority to enter into and perform this Agreement;

(B) its obligations under this Agreement constitute valid and binding obligations of such party in accordance with the terms of this Agreement;

(C) the execution and delivery of, and the performance by it of its obligations under, this Agreement will not:

(i) result in a breach of any provision of the memorandum or articles of association (or equivalent constitutional documents in the jurisdiction of incorporation of the relevant party) of such party;

(ii) result in a breach of, or constitute a default under, any instrument to which it is a party or by which it is bound, where such breach is material to its ability to perform its obligations hereunder;

(iii) subject to the satisfaction of the Conditions, result in a breach of any statute, law, rule, regulation, order, judgment or decree of any court or governmental agency by which it is bound, where such breach is material to its ability to perform its obligations hereunder; or

(iv) subject to the satisfaction of the Conditions, require the consent of its shareholders.

10.2 Novartis and the Novartis Shareholders warrant to GSK and the Company that each of the following statements is accurate in all respects and not misleading at the date of this Agreement and will be accurate in all respects and not misleading at the date on which Completion occurs as if repeated immediately before Completion by reference to the facts and circumstances subsisting at that date:

(A) the Novartis Shareholders are the sole legal and beneficial owners of the B Shares; and

(B) other than pursuant to the Shareholders' Agreement and the Company's articles of association, there is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting the B Shares or any of them and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any.

10.3 GSK warrants to Novartis and the Novartis Shareholders that:

(A) its sponsor (as defined in the Listing Rules) has undertaken the assessment required to be undertaken pursuant to Listing Rule 8.2.3 with respect to the Put Option Transaction and this Agreement; and

(B) its sponsor has determined (together with GSK) that any payments required to be made by GSK pursuant to Clause 13 constitute a smaller related party transaction pursuant to Listing Rule 11.1.10 and has provided written confirmation that the terms of such Clause are fair and reasonable as far as the GSK Shareholders are concerned.

10.4 GSK shall indemnify on demand on an after-Tax basis:

(A) subject to Novartis and the Novartis Shareholders having complied with their obligations under Clauses 5.5, 5.7 and 5.9 (such compliance to be confirmed by GSK in writing to Novartis promptly on completion of such compliance and to be determined by reference to the steps plan provided to Novartis under Clause 5.11(A)), each of the B Directors in respect of any claims, loss or liability suffered or incurred by such B Director arising as a result of the Cancellation or any Preparatory Capital Step; and

(B) Novartis and the Novartis Shareholders in respect of any claims, loss or liability suffered or incurred by Novartis or the Novartis Shareholders (as applicable) arising as a result of:

(i) any failure to carry out the Cancellation or any Preparatory Capital Step in accordance with Applicable Law;

(ii) subject to Clause 28, any steps taken by Novartis and the Novartis Shareholders pursuant to Clause 5.5 (but excluding any exercise of voting rights by the Novartis Shareholders pursuant to Clause 5.5); or

(iii) any failure by the Company to make the payments required pursuant to Clauses 8.3, 8.4 and 9.3.

11. GUARANTEE

11.1 In consideration of the other parties entering into this Agreement:

(A) GSK guarantees to Novartis and the Novartis Shareholders the due and punctual performance of all obligations of the GSK Shareholder and any Group Transferee of the GSK Shareholder and the Company (each a **"Guaranteed Party"** of GSK) under this Agreement. This guarantee is unconditional and irrevocable; and

(B) Novartis guarantees to GSK, the GSK Shareholder and the Company the due and punctual performance of all obligations of the Novartis Shareholders and any Group Transferee of the Novartis Shareholders (each a **"Guaranteed Party"** of Novartis) under this Agreement. This guarantee is unconditional and irrevocable,

with each of GSK and Novartis being, a **"Guarantor".**

11.2 The guarantees set out in Clause 11.1:

(A) are continuing guarantees. No payment or other settlement will discharge a Guarantor's obligations until the obligations of all of its Guaranteed Parties have been discharged in full;

(B) are in addition to, and independent of, any other guarantee or security;

(C) may be enforced before any steps are taken against the relevant Guaranteed Party or under any other guarantee or security;

(D) will only be discharged by the discharge in full of the obligations of the relevant Guarantor's Guaranteed Parties; and

(E) will not be discharged by any other action, omission or fact.

11.3 A Guarantor's obligations shall, therefore, not be affected by:

(A) the obligations of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable;

(B) any change, waiver or release of the obligations of any of its Guaranteed Parties;

(C) any concession or time being given to any of its Guaranteed Parties;

(D) the winding-up or re-organisation of any of its Guaranteed Parties;

(E) any change in the condition, nature or status of any of its Guaranteed Parties;

(F) any of the above events occurring in relation to another guarantor or provider of security in relation to the obligations of any of its Guaranteed Parties;

(G) any failure to take, retain or enforce any other guarantee or security;

(H) any circumstances affecting or preventing recovery of amounts expressed to be due by any of its Guaranteed Parties; or

(I) any other matter which might discharge that Guarantor.

11.4 Any receipt from any person other than that Guarantor shall reduce the outstanding balance only to the extent of the amount received.

11.5 Any settlement with, or discharge of, a Guarantor shall be subject to the condition that the settlement or discharge shall be set aside if any prior payment, or any other guarantee or security, in reliance on which that settlement or discharge was made in whole or in part, is set aside, invalidated or reduced. In this event each Guarantor agrees to reimburse each other party for the value of the payment, guarantee or security which is set aside, invalidated or reduced.

11.6 In the event that a Guaranteed Party fails to perform or breaches any of its obligations under this Agreement, the Guarantor of that Guaranteed Party agrees to indemnify each of the other parties on an after-Tax basis for the losses and reasonable expenses (including loss of profit) that party suffers or incurs, or will suffer or incur, as a result. The Guarantor of that Guaranteed Party also agrees to indemnify each other party on an after-Tax basis for all losses and expenses (including loss of profit) arising from any obligation of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable.

11.7 In addition to each Guarantor's obligations as guarantor, each Guarantor agrees that any obligation of any of its Guaranteed Parties under this Agreement which may not be enforceable against that Guarantor as guarantor shall be enforceable against that Guarantor as though that Guarantor were the principal obligor in respect of the obligation.

11.8 The parties agree that:

(A) no Guarantor shall have the benefit of any security in respect of this guarantee;

(B) no Guarantor shall:

(i) take the benefit of any right against any of its Guaranteed Parties or any other person in respect of amounts paid under this guarantee; or

(ii) claim or exercise against any of its Guaranteed Parties any right to any payment;

(C) any other party may request a Guarantor to submit a proof for amounts due to it by any of its Guaranteed Parties or any other guarantor. Each Guarantor agrees to submit a proof promptly in accordance with this request. All amounts received in respect of this proof shall be held by the Guarantor on trust for the other parties;

(D) notwithstanding any of the other provisions of this Agreement, the liability of a Guarantor under this Clause 11 shall in no circumstances exceed the liability of the Guaranteed Party whose obligations are guaranteed by that Guarantor; and

(E) the obligations in this Clause 11 shall cease to have effect in respect of a Guarantor when the obligations of all of its Guaranteed Parties under this Agreement have been discharged in full.

12. OBLIGATIONS FOLLOWING COMPLETION

12.1 The Shareholders' Agreement shall terminate in accordance with its terms (including, for the avoidance of doubt, as provided in Clause 30 of the Shareholders' Agreement) upon the Cancellation becoming effective in accordance with Applicable Law, provided that:

(A) the provisions of Clause 25.3 of the Shareholders' Agreement shall continue to apply in the case of Novartis to any claims made under any GSK D&O Policy;

(B) as provided in the Shareholders' Agreement, Clause 28 of the Shareholders' Agreement shall continue without limit in time save that GSK and members of its Group shall cease to be subject to any restrictions in respect of the category of information specified in Clause 28.1(D) of the Shareholders' Agreement;

(C) the provisions of Clause 29 of the Shareholders' Agreement shall terminate and cease to have effect and Clause 29.3 of the Shareholders' Agreement shall be disapplied; and

(D) following Completion the Company shall provide such information relating to the Company and its Group during Novartis's and its Group's period of investment in the Company as Novartis may reasonably require from time to time in connection with the following:

(i) the preparation and filing of Novartis's accounts (and/or the accounts of any other member of Novartis's Group);

(ii) the preparation and filing of the Tax returns or other Tax filings or correspondence with a Tax Authority of Novartis (and/or any other member of Novartis's Group including the Novartis Shareholders) in relation to any jurisdiction in which such returns or filings are required to be made; and/or

(iii) the compliance by Novartis or any other member of Novartis's Group with any reporting obligation if and to the extent required by Applicable Law and/or any securities exchange or regulatory or governmental body to which Novartis or any other member of Novartis's Group is subject, wherever situated,

and for the avoidance of doubt, such information may include any raw data which is used to generate financial information in respect of the Company's Group (or any individual member of the Company's Group) including, for the avoidance of doubt, the information referred to in this Clause 12.1. Novartis shall not be entitled to require the Company or any member of its Group to restate any such financial or other information for any purpose (including the preparation of any such accounts or Tax returns or other Tax filings or correspondence with a Tax Authority).

12.2 The Company shall ensure (and GSK shall procure that the Company ensures) that any indemnity and/or immunity provisions contained in the memorandum and articles of association of the Company and/or deed of indemnity in place for the benefit of such of any (current or former) B Director are not amended, repealed or modified in any manner that would affect adversely the rights of any (current or former) B Director.

12.3 For six years from Completion, the Company shall maintain (and GSK shall procure that the Company maintains) in force such "run-off" directors' and officers' liability insurance policies as will enable each (current or former) B Director to make claims arising out of any matter, cause or event occurring on or before Completion under those policies on terms and conditions that are in all material respects equivalent to the directors' and officers' liability insurance policies that the Company maintains for the benefit of its directors from time to time.

13. BREAK FEE

13.1 Subject to Clause 13.8, GSK shall pay to Novartis by way of compensation the GSK Break Fee if, in relation to the GSK Shareholder Approval Condition, any of the following occur:

(A) subject to Clause 4.13, the GSK Directors adversely change, withdraw or qualify the GSK Recommendation (or, prior to publication of the GSK Shareholder Circular, their intention to provide such recommendation); or

(B) a vote has been held on the GSK Shareholder Resolution by or on 31 August 2018 and the GSK Shareholder Resolution is not passed by the GSK Members at the GSK Shareholder Meeting; or

(C) no vote is held on the GSK Shareholder Resolution by or on 31 August 2018.

13.2 If the GSK Break Fee becomes payable pursuant to Clause 13.1, GSK shall pay, or procure the payment of, the GSK Break Fee to Novartis in accordance with Clause 15 on the first Completion Business Day that is at least five UK Business Days after (but excluding) the later of (i) the date on which the GSK Break Fee becomes payable pursuant to Clause 13.1 and (ii) the date on which Novartis notifies to GSK the bank account into which the GSK Break Fee is to be paid pursuant to this Clause 13.2.

13.3 Notwithstanding any other provision of this Agreement:

(A) the GSK Break Fee, if paid, shall be the sole and exclusive remedy of Novartis and its Group against GSK, the Company or any member of the GSK Group for any damages, losses or liabilities of any nature incurred or suffered by Novartis or any member of its Group as a result of or otherwise in connection with the matters described in Clause 13.1; and

(B) provided that the GSK Break Fee has been paid in accordance with Clause 13.2, neither Novartis nor any member of its Group shall have any other rights or remedies of any kind whatsoever in connection with the matters described in Clause 13.1.

13.4 If the GSK Break Fee is paid pursuant to Clauses 13.1(A) and 13.2 and the GSK Shareholder Resolution is then approved by GSK Members at a general meeting of the GSK Members (or any adjournment thereof) held within eight weeks after the relevant change, withdrawal or qualification of the GSK Recommendation (or intention to provide such recommendation), Novartis shall repay to GSK an amount equal to the GSK Break Fee in accordance with Clause 15 on the first Completion Business Day that is at least five UK Business Days after (but excluding) the later of (i) the date on which such amount becomes payable pursuant to this Clause 13.4 and (ii) the date on which GSK notifies to Novartis the bank account into which such amount is to be paid pursuant to this Clause 13.4. Clauses 13.5 to 13.7 (inclusive) shall apply to any repayment by Novartis under this Clause 13.4, *mutatis mutandis*.

13.5 Subject to Clause 13.7, if any deduction or withholding is required by Applicable Law to be made from any payment required to be made pursuant to Clause 13.2 then the member of GSK's Group making such payment (the **"payor"**) shall pay (and, if such payor is not GSK, GSK shall procure that such payor shall pay) to Novartis (the **"payee"**) such sum as will, after the deduction or withholding has been made, leave the payee with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if the payee shall have assigned or novated the benefit in whole or in part of this Agreement or shall, after the date of this Agreement, have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the payer under this Clause 13.5 shall be limited to that (if any) which it would have been had no such assignment, novation or change taken place.

13.6 If the payor makes an increased payment pursuant to Clause 13.5 and the payee, in respect of the Tax that gave rise to such increased payment, receives and utilises a loss, relief, allowance or credit in respect of any Tax or any deduction in computing its income, profits or gains for the purposes of any Tax, the payee shall reimburse the payor such amount as shall leave the payee in the same position as the payee would have been in had no such deduction or withholding been required to be made.

13.7 The parties consider, and shall use reasonable best efforts to secure, that the GSK Break Fee is not and will not be treated for VAT purposes as consideration for a taxable supply. The amount of the GSK Break Fee is inclusive of any amounts in respect of VAT provided that:

(A) if the payor of the GSK Break Fee (or the representative member of the VAT group of which the payor is a member) is liable to account for VAT under a reverse charge mechanism, to the extent that the payor (or such representative member)

is not entitled to recover (in whole or in part) such VAT from the relevant Tax Authority. The amount of the GSK Break Fee (inclusive of amounts in respect of VAT) shall be reduced to such amount so that the aggregate amount of the GSK Break Fee and such irrecoverable VAT equals the amount of the GSK Break Fee had such GSK Break Fee not been treated as consideration for a taxable supply; and

(B) if the payee of the GSK Break Fee (or the representative member of the VAT group of which the payee is a member) is liable to account for VAT, the payee shall issue a valid VAT invoice to the payor and, if such VAT is recoverable (in whole or in part) by the payor (or the representative member of the VAT group of which the payor is a member) the amount of the GSK Break Fee (inclusive of amounts in respect of VAT) shall be increased to such amount as, when the amount of any recoverable VAT is deducted from the increased amount, produces an amount equal to the amount of the GSK Break Fee had such GSK Break Fee not been treated as consideration for a taxable supply.

13.8 For the avoidance of doubt:

(A) GSK acknowledges that the provisions of this Clause 13 and any payment of the GSK Break Fee shall not in any respect be conditional on the GSK Members having approved the GSK Shareholder Resolution;

(B) in no event or circumstance shall GSK be required to pay the GSK Break Fee to Novartis pursuant to Clause 13.1 more than once; and

(C) accordingly, subject only to Clauses 13.5 to 13.7 (inclusive), the amount payable by GSK pursuant to Clause 13.1 shall in no event exceed an amount equal to the GSK Break Fee.

14. TERMINATION

14.1 This Agreement shall terminate:

(A) if agreed in writing between the parties;

(B) automatically in the event that:

(i) the GSK Break Fee is paid pursuant to Clauses 13.1(B) or 13.1(C);

(ii) the GSK Break Fee is paid pursuant to Clause 13.1(A) and the time period set out in Clause 13.4 has expired without the relevant amount becoming payable by Novartis to GSK in accordance with Clause 13.4; or

(iii) the Conditions have not been satisfied or, where applicable, waived by 31 December 2018.

14.2 The following clauses of this Agreement shall survive termination in accordance with Clause 14.1 without limit in time:

(A) in all cases Clauses 1 and 17 to 37 (inclusive) (and Clause 11 would continue to apply in respect of such Clauses); and

(B) Clauses 13.1, 13.5, 13.6, 13.7 and 13.8 if this Agreement terminates pursuant to Clause 14.1(B).

14.3 Novartis may terminate this Agreement if either of GSK or the Company has breached or failed to perform in any material respect any of its obligations pursuant to Clause 8 within 15 UK Business Days after (but excluding) the Completion Date, provided that the foregoing shall not serve to prohibit Novartis from claiming damages arising in connection with such breach or non-performance or seeking to exercise any other right, power or remedy under this Agreement or otherwise as provided by Applicable Law.

14.4 GSK may terminate this Agreement if Novartis has breached or failed to perform in any material respect:

(A) any of its obligations under Clauses 5.5 or 5.7 by the required time; or

(B) any of its obligations pursuant to Clause 8 within 15 UK Business Days after (but excluding) the Completion Date,

provided that the foregoing shall not serve to prohibit GSK or the Company from claiming damages arising in connection with such breach or non-performance or seeking to exercise any other right, power or remedy under this Agreement or otherwise as provided by Applicable Law.

14.5 Any termination of this Agreement in accordance with this Clause 14 shall be without prejudice to:

(A) any accrued rights, obligations and liabilities of any party under this Agreement prior to such termination; and

(B) the continuation in full force and effect of the Shareholders' Agreement (including Clause 20 thereof), provided that, for the avoidance of doubt, no actions taken by any party under or in accordance with this Agreement shall constitute a breach of the Shareholders' Agreement following termination of this Agreement.

15. PAYMENTS

15.1 Any payment to be made pursuant to this Agreement shall be made in immediately available funds to the bank account(s) notified by the relevant payee to the relevant payer. All sums payable under this Agreement shall be paid free and clear of all deductions, withholdings, set offs or counterclaims whatsoever save only as may be required by law.

15.2 Payments of a sum under this Clause 15 shall constitute a payment in full of the sum payable and shall be a good discharge to the payer (and those on whose behalf such payment is made) of the payer's obligation to make such payment and the payer (and those on whose behalf such payment is made) shall not be obliged to see to the application of the payment as between those won whose behalf the payment is received.

15.3 If any party defaults on the payment when due of any sum payable under this Agreement, the liability of that party shall be increased to include interest on such sum from (and including) the date on which such payment is due to (but excluding) the date of actual payment (as well after as before judgment) at the Default Rate.

16. TAXATION

16.1 Without prejudice to the obligations of Novartis pursuant to Clause 13.4, the obligations of the relevant member of GSK's Group (and of GSK, in relation to such obligations) pursuant to Clauses 13.5 to 13.7 (inclusive) and the remainder of this Clause 16, each party shall be responsible for its own liabilities to Tax incurred or otherwise arising as a result of or in connection with entering into or performing its obligations under this Agreement and the transactions contemplated by it and shall bear its own costs incurred in connection with the satisfaction of such liabilities.

16.2 If the party to whom a payment in respect of the Consideration Amount or the Excess Cash True-up Amount or the Cash Shortfall True-up Amount (as applicable) is being made (the **"payee"**) is or becomes aware of any facts making it reasonably likely that the relevant payer will be required to deduct or withhold any amount in respect of the Consideration Amount or the Excess Cash True-up Amount or the Cash Shortfall True-up Amount (as applicable) (each, a **"Relevant Tax Deduction"**), then that payee shall, as soon as reasonably practicable, give notice to the party making the payment (the **"payer"**) (including details of the relevant facts and, so far as possible, details of the rate and basis of such withholding).

16.3 Subject to the remainder of this Clause 16, if a Relevant Tax Deduction is required by law, the payer shall (except in the case of any interest payable under this Agreement) be obliged to pay to the payee such sum as will after such deduction or withholding has been made leave the payee with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if the payee shall have assigned or novated the benefit in whole or in part of this Agreement or shall, after the date of this Agreement, have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the payer under this Clause 16.3 shall be limited to that (if any) which it would have been had no such assignment, novation or change taken place.

16.4 The relevant payee and payer shall, and shall procure that the members of their respective groups shall (at the payee's cost), co-operate with each other in good faith and use all reasonable efforts to reduce or mitigate any Relevant Tax Deduction (or its amount) and/or to enable the payee to obtain any available credit or refund in respect of such Relevant Tax Deduction, including, without limitation, making any available claim under an applicable double taxation treaty.

16.5 Without prejudice to the generality of Clause 16.4, the relevant payee and payer shall co-operate in good faith to establish or agree the amount or basis of calculation of any Relevant Tax Deduction prior to the relevant payment date (and in this regard the payer shall consider reasonably any relevant information or evidence provided or obtained by the payee) including, if requested by the payee and at the payee's expense, by seeking to obtain a ruling or confirmation from a relevant Tax Authority, or obtaining an opinion from reputable local tax counsel or a firm of accountants of international standing satisfactory to the payer (acting reasonably) and instructed jointly by the payee and the payer.

16.6 The payer shall make any Relevant Tax Deduction in the minimum amount required by Applicable Law, provided that:

(A) if a double taxation treaty between the jurisdiction under the laws of which the Relevant Tax Deduction is required and the jurisdiction of residence of the relevant payee is in force, the payer shall (and shall procure that any relevant Affiliate shall) make any Relevant Tax Deduction in an amount not exceeding the rate specified in such double taxation treaty (which may be nil), provided that the payee has provided the payer with such evidence as is required under Applicable Law to establish the entitlement of the payee to the benefit of the applicable treaty; and

(B) if an opinion from reputable local counsel or a firm of accountants of international standing has been obtained at the request of the payee as envisaged by Clause 16.5, the payer shall (and shall procure that any relevant Affiliate shall) make such Relevant Tax Deduction in an amount or on a basis which is consistent with that opinion (which may result in no withholding or deduction), provided that the payee has indemnified the payer and any relevant Affiliate, to the payer's reasonable satisfaction, against any liabilities arising (including any interest and penalties) should such opinion be wholly or partly incorrect.

16.7 The payer shall promptly provide the payee with evidence reasonably satisfactory to the payee that a Relevant Tax Deduction has been made and an appropriate amount paid to the relevant Tax Authority.

16.8 If any Relevant Tax Deduction is required an additional sum shall be payable in accordance with Clause 16.3 only if and to the extent that such deduction or withholding would not have been required had the payer been resident for Tax purposes only in:

(A) the United Kingdom, where the payer is the Company;

(B) Switzerland, where the payer is the First Novartis Shareholder; or

(C) the United States of America, where the payer is the Second Novartis Shareholder.

17. ANNOUNCEMENTS

17.1 Subject to Clauses 17.2 and 17.6:

(A) no announcement (or other publication) concerning the Put Option Transaction or this Agreement shall be made by or on behalf of GSK or any member of its Group without the prior written consent of Novartis; and

(B) no announcement (or other publication) concerning the Put Option Transaction or this Agreement shall be made by or on behalf of Novartis or any member of its Group without the prior written consent of GSK.

17.2 Notwithstanding Clause 17.1, any party may make an announcement concerning the Put Option Transaction if required by:

(A) Applicable Law; or

(B) any securities exchange or regulatory or governmental body or any Tax Authority to which that party is subject or submits, wherever situated, including (amongst other bodies) the FCA, the London Stock Exchange pic, the Panel on Takeovers and Mergers, HMRC, the SIX Swiss Exchange, the Swiss Federal Tax Administration, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement has the force of law.

17.3 Any announcement to be made pursuant to Clause 17.2 shall, to the extent reasonably practicable and legally permissible, be made only after notice to, and consultation with:

(A) in the case of GSK and its Group, Novartis; and

(B) in the case of Novartis and its Group, GSK.

17.4 Following execution of this Agreement, GSK shall release the GSK Transaction Announcement and Novartis shall release the Novartis Transaction Announcement.

17.5 GSK hereby confirms that any redacted content contained in drafts of the GSK Transaction Announcement provided to Novartis prior to the date of this Agreement does not relate to the Put Option Transaction and this Agreement, and, on that basis, such content does not form part of the GSK Transaction Announcement.

17.6 The restrictions contained in this Clause 17 shall continue to apply without limit in time, unless otherwise agreed between the parties.

18. CONFIDENTIALITY

18.1 Each party shall, and shall procure that any other member of their respective Groups shall, treat as confidential all information obtained as a result of the negotiations and/or discussions regarding the Put Option Transaction and/or the entering into and/or performance of this Agreement or any agreements or documents hereunder, which relates to:

(A) the provisions of this Agreement and any agreements or documents hereunder (and information provided under it or any of them);

(B) the negotiations relating to this Agreement and any agreements or documents hereunder;

(C) the subject matter of this Agreement and any agreements or documents hereunder;

(D) any termination of any of this Agreement and any agreements or documents hereunder; or

(E) any other party or any member of its Group and its or their business, rights and/or assets.

18.2 Notwithstanding the other provisions of this Clause 18, a party may disclose any such confidential information:

(A) if and to the extent required by Applicable Law (including, for the avoidance of doubt, the Listing Rules) or for the purpose of any judicial or arbitral proceedings to which it is a party;

(B) if and to the extent required by any securities exchange or regulatory, Taxation or other governmental body to which that party or a member of its Group is subject or submits, wherever situated, including (amongst other bodies) the FCA, the London Stock Exchange pic, the Panel on Takeovers and Mergers, HMRC, the SIX Swiss Exchange, the Swiss Federal Tax Administration, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement for disclosure of such information has the force of law;

(C) to a Tax Authority in connection with the disclosing party's (or a member of its Group's) Tax affairs;

(D) to any member of its respective Group and its and any member of its respective Group's Representatives, in each case, on a "need-to-know" basis and provided they have a duty (contractual or otherwise) to keep such information confidential;

(E) to the extent the information is in or has come into the public domain through no fault of that party;

(F) if it was in the possession of a party or any of its advisers (in either case as evidenced by written records) without any obligations of secrecy prior to it being received or held;

(G) if and to the extent the other party has given prior written consent to the disclosure; or

(H) in response to any regulatory inquiry or if and to the extent required or in connection with any regulatory consent or clearance process.

18.3 Any confidential information to be disclosed pursuant to Clauses 18.1(A), 18.1(B) or 18.1 (C) shall, to the extent reasonably practicable and legally permissible, be disclosed only after notice to and consultation with the other parties.

18.4 The restrictions contained in this Clause 18 shall continue to apply to each party without limit in time, unless otherwise agreed between the parties.

19. EFFECT OF COMPLETION

Any provision of this Agreement and any other documents referred to in it which is capable of being performed after but which has not been performed at or before Completion and all warranties, indemnities, covenants and other undertakings and obligations contained in or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Completion.

20. EFFECT OF DEED OF ADHERENCE

The parties agree to extend the benefit of this Agreement to any person who enters into a Deed of Adherence in respect of this Agreement in the form set out in Schedule 1 of this Agreement, but without prejudice to the continuation inter se of the rights and obligations of the original parties to this Agreement.

21. SHAREHOLDER UNDERTAKINGS

21.1 Each Shareholder undertakes with the other Shareholders that it will:

(A) comply with each of the provisions of this Agreement;

(B) exercise its voting rights and other rights as a member of the Company and under the Shareholders' Agreement in order (insofar as it is able to do so through the exercise of such rights) to give full effect to the provisions of this Agreement and the rights and obligations of the parties as set out in this Agreement; and

(C) procure that any Director nominated by it from time to time shall (subject to their fiduciary duties to the Company and, in the case of the B Directors, to the B Directors having been excluded from certain matters pursuant to Clause 5.6) exercise their voting rights and other powers and authorities in order (insofar as they are able to do so through the exercise of such rights, powers and authorities) to give full effect to the provisions of this Agreement and the rights and obligations of the parties as set out in this Agreement.

22. REMEDIES AND WAIVERS

22.1 No delay or omission by any party to this Agreement in exercising any right, power or remedy provided by law or under this Agreement or any other documents referred to in it shall:

(A) affect that right, power or remedy; or

(B) operate as a waiver or variation of it.

22.2 The single or partial exercise of any right, power or remedy provided by law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

22.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

22.4 Notwithstanding any express remedies provided under this Agreement and without prejudice to any other right or remedy which any party may have, the parties acknowledge and agree that damages alone may not be an adequate remedy for any breach of this Agreement. Accordingly, the parties may be entitled to the remedies of injunction, specific performance and other equitable relief for any threatened or actual breach of this Agreement. Furthermore, each party acknowledges and agrees that it will not raise any objection to the application by or on behalf of the other party or any other member of its respective Group for any such remedies.

23. ASSIGNMENT

No party shall without the prior written consent of the other parties:

(A) assign, or purport to assign, all or any part of the benefit of, or its rights or benefits under, this Agreement (together with any causes of action arising in connection with any of them);

(B) unless otherwise expressly set out in this Agreement, make a declaration of trust in respect of or enter into any arrangement whereby it agrees to hold in trust for any other person all or any part of the benefit of, or its rights or benefits under, this Agreement;

(C) sub-contract or enter into any arrangement whereby another person is to perform any or all of its obligations under this Agreement;

(D) transfer, charge or otherwise deal with any of its rights or obligations under this Agreement; or

(E) grant, declare, create or dispose of any right or interest in it, in whole or in part,

and any purported assignment in contravention of this Clause 23 shall be void.

24. VARIATION

24.1 No variation of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all the parties to it.

24.2 If this Agreement is varied:

(A) the variation shall not constitute a general waiver of any provisions of this Agreement;

(B) the variation shall not affect any rights, obligations or liabilities under this Agreement that have already accrued up to the date of variation; and

(C) the rights and obligations of the parties under this Agreement shall remain in full force and effect, except as, and only to the extent that, they are so varied.

25. FURTHER ASSURANCE

Each party shall at its own cost, from time to time on request of any of the other parties, now or at any time in the future, do or procure the doing of all acts and/or execute or procure the execution of all documents in a form satisfactory to the requesting party which the requesting party may reasonably consider necessary for giving full effect to this Agreement and securing to the requesting party the full benefit of the rights, powers and remedies conferred upon such other party under this Agreement.

26. ENTIRE AGREEMENT

26.1 The parties agree that:

(A) this Agreement constitutes the whole and only agreement between the parties relating to the subject matter of this Agreement;

(B) except in the case of fraud or fraudulent misrepresentation, each party acknowledges that in entering into this Agreement and/or any other agreement or document hereunder it is not relying upon any pre contractual statement which is not set out in such agreements or documents;

(C) except in the case of fraud or fraudulent misrepresentation, no party shall have a right of action against any other party arising out of, or in connection with, any pre-contractual statement which is not set out in this Agreement; and

(D) except in the case of fraud or fraudulent misrepresentation and for any liability in respect of a breach of this Agreement, no party (nor any of its Connected Persons) shall owe any duty of care or have any liability in tort or otherwise to any other party (or its respective Connected Persons) in relation to the subject matter of this Agreement.

26.2 For the purposes of this Clause 26, "pre-contractual statement" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement made or given by any person at any time prior to the date of this Agreement.

26.3 Each party agrees to the terms of this Clause 26 on its own behalf and as agent for each of its Connected Persons.

27. NOTICES

27.1 A notice under this Agreement shall only be effective if it is in writing. E-mail is permitted.

27.2 Notices under this Agreement shall be sent to a party at its address and for the attention of the individual set out below:

Party and title of individual	Address	E-mail address
GSK For the attention of: Company Secretary	As stated above	As shall be notified
Novartis For the attention of: Head Legal M&A	As stated above	As shall be notified

provided that a party may change its notice details on giving notice to the other party of the change in accordance with this Clause 27.2. That change notice shall only be effective on the day falling five clear UK Business Days after the notification has been received or such later date as may be specified in the notice.

27.3 Any notice to be sent in connection with this Agreement:

(A) to any Novartis Shareholder, shall be sent to Novartis; and

(B) to the GSK Shareholder(s) or the Company, shall be sent to GSK.

27.4 Any notice given under this Agreement shall be deemed to have been duly given as follows:

(A) if delivered personally, on delivery;

(B) if sent by first class inland post, two clear UK Business Days after the date of posting;

(C) if sent by airmail, six clear UK Business Days after the date of posting; and

(D) if sent by e-mail, when despatched.

27.5 Any notice given under this Agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Working Hours in such place.

27.6 No notice given under this Agreement may be withdrawn or revoked except with the agreement of the other parties.

27.7 The provisions of this Clause 27 shall not apply in relation to the Service Documents.

28. COSTS AND EXPENSES

Without prejudice to Clauses 13 and 16, each party shall bear its own costs and expenses in connection with the Put Option Transaction, including, for the avoidance of doubt and without limitation, the negotiation, entering into and completion of this Agreement.

29. INVALIDITY

29.1 If at any time any provision (or part of any provision) of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair:

(A) the legality, validity or enforceability in that jurisdiction of any other (or the remainder of a) provision of this Agreement; or

(B) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement.

29.2 Each of the provisions of this Agreement is severable.

29.3 If and to the extent that any provision of this Agreement:

(A) is held to be, or becomes, invalid or unenforceable under any Applicable Law; but

(B) would be valid, binding or enforceable if some part of the provisions were deleted or amended,

then the provision shall apply with the minimum modifications necessary to make it valid, binding and enforceable.

30. CONFLICT WITH ARTICLES OF ASSOCIATION

In the event of any ambiguity or discrepancy between the provisions of this Agreement and the articles of association or other constitutional documents of a member of the Company's Group, the provisions of this Agreement shall prevail as between the parties to the extent of the inconsistency for so long as this Agreement remains in force. Each of the parties shall (as applicable) exercise all voting and other rights and powers available to it so as to give effect to the provisions of this Agreement and, if necessary, to procure (so far as it is able to do so) any required amendment to the articles of association or such other constitutional documents.

31. COUNTERPARTS

31.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.

31.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

32. THIRD PARTY RIGHTS

32.1 Certain provisions of this Agreement (such provisions being the **"Third Party Rights Provisions")** confer a benefit on certain persons named therein who are not a party to this Agreement (each, a **"Third Party Beneficiary")** and, subject to the remaining provisions of this Clause 32, are intended to be enforceable by the Third Party Beneficiary by virtue of the Contracts (Rights of Third Parties) Act 1999.

32.2 The parties do not intend that any term of this Agreement, save for the Third Party Rights Provisions, should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

32.3 Notwithstanding the provisions of Clause 32.1, this Agreement may be terminated or varied in any way and at any time by the agreement of the parties to this Agreement without the consent of any Third Party Beneficiary.

33. NO PARTNERSHIP

Nothing in this Agreement and no action taken by the parties under this Agreement shall constitute a partnership, association or other co-operative entity between any of the parties or constitute any party the agent of any other party for any purpose.

34. GOVERNING LAW

This Agreement is to be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of, or in connection with, this Agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

35. JURISDICTION

35.1 The courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, arising out of, or in connection with, this Agreement. Any Proceedings shall be brought in the English courts.

35.2 Each party waives (and agrees not to raise) any objection, on the grounds of *forum non conveniens* or on any other ground, to the taking of Proceedings in the English courts. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction.

35.3 Each party irrevocably submits and agrees to submit to the exclusive jurisdiction of the English courts.

36. LANGUAGE

36.1 Each notice or other communication under, or in connection with, this Agreement shall be:

(A) in English; or

(B) if not in English, accompanied by an English translation made by a translator, and certified by an officer of the party giving the notice to be accurate.

36.2 The receiving party/agent shall be entitled to assume the accuracy of, and rely upon any English translation of, any document provided pursuant to Clause 36.1(B).

37. AGENT FOR SERVICE

37.1 Each of Novartis and the Novartis Shareholders irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London, EC2Y 8HQ to be its agent for the receipt of Service Documents. Each such party agrees that any Service Document may be effectively served on it in connection with Proceedings in England and Wales by service on its agent effected in any manner permitted by the UK Civil Procedure Rules.

37.2 If the agent at any time ceases for any reason to act as such, the relevant appointing party shall appoint a replacement agent having an address for service in England or Wales and shall notify GSK of the name and address of the replacement agent. Failing such appointment and notification, GSK shall be entitled by notice to the relevant appointing party to appoint a replacement agent to act on its behalf. The provisions of this Clause 37 applying to service on an agent apply equally to service on a replacement agent.

37.3 A copy of any Service Document served on an agent shall also be sent by post to the relevant party. Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.

SCHEDULE 1
FORM OF DEED OF ADHERENCE

THIS DEED is made on [•]

by [•], a company incorporated [in] / [under the laws of] [•] under registered number [•], whose [registered] / [principal] office is at [•] (the **"New Party")**.

WHEREAS:-

(A) By a transfer dated [•], [•] transferred to the New Party [[•] [A/B] Shares of £1 each in the capital of] GlaxoSmithKline Consumer Healthcare Holdings Limited (the **"Company")** (the **"Transferring Shares").**

(B) This Deed is entered into in compliance with the terms of Clause [5.1(B)] / [6.4] of the put option implementation agreement dated [•] between the GSK Shareholder, the Novartis Shareholders, GSK, Novartis and the Company as such agreement shall have been or may be amended, or supplemented or novated from time to time (the **"Put Option Implementation Agreement").**

THIS AGREEMENT WITNESSES as follows:-

1. Words and expressions defined in the Put Option Implementation Agreement shall, unless the context otherwise requires, have the same meanings when used in this Deed.

2. The New Party undertakes to adhere to and be bound by the provisions of the Put Option Implementation Agreement, and to perform the obligations imposed by the Put Option Implementation Agreement which are to be performed on or after the date of this Deed, in all respects as if the New Party were a party to the Put Option Implementation Agreement and named therein as a [GSK Shareholder] / [Novartis Shareholder].

3. The New Party warrants to the other parties to the Put Option Implementation Agreement (and each other person who may from time to time expressly adhere to the Put Option Implementation Agreement) in the terms set out in [Clause 10.1][1] / [Clauses 10.1 and 10.2][2] of the Put Option Implementation Agreement, but so that such warranties shall be deemed to be given on the date on which the New Party becomes the registered holder of the Transferring Shares.

4. This Deed is made for the benefit of (a) the original parties to the Put Option Implementation Agreement and (b) any other person or persons who after the date of the Put Option Implementation Agreement (and whether or not prior to or after the date of this Deed) adheres to the Put Option Implementation Agreement.

---

1 Note: Drafting option to be used in the event of a transfer by the GSK Shareholder of some or all A Shares.

2 Note: Drafting option to be used in the event of a transfer by the Novartis Shareholder of B Shares in accordance with Clause 17 of the Shareholders' Agreement.

5. This Deed shall be governed by and construed in accordance with English law.

6. The courts of England are to have jurisdiction to settle any dispute arising out of or in connection with this Deed. Any Proceedings may therefore be brought in the English courts. The New Party agrees that this jurisdiction agreement is irrevocable and that it is for the benefit of each of the parties referred to in Paragraph 4 of this Deed. Nothing contained in this Paragraph 6 shall limit the right of any person having the benefit of this Deed to take Proceedings against the New Party in any other court or in the courts of more than one jurisdiction at the same time.

IN WITNESS of which this Deed has been executed and delivered by the New Party as a deed on the date which first appears above.

[EXECUTION BLOCKS]

SCHEDULE 2
FORM OF RESIGNATION AND RELEASE LETTER

[*date*]

To: The Directors
GlaxoSmithKline Consumer Healthcare Holdings Limited (the **"Company")**
980 Great Western Road Brentford
Middlesex TW8 9GS

Dear Sirs

I hereby resign my office as a director of the Company with immediate effect.

I confirm that I have no claims against the Company, or any of its subsidiaries, for breach of contract, compensation for loss of office or on any other account whatsoever. Save for the obligation of the Company to indemnify me pursuant to Clause 10.4(A) of the put option implementation agreement dated [•] between, amongst others, GSK PLC, Novartis AG and the Company (the **"Director's Indemnity"),** any insurance policy in respect of directors' and officers' liability in place for my benefit and any deed of indemnity in place for my benefit, I confirm that there is no agreement or arrangement outstanding under which the Company or any of its subsidiaries has or could have any obligation to me other than in respect of accrued remuneration or expenses. To the extent that any such claim exists or may exist (except for any claim pursuant to the Director's Indemnity) I hereby irrevocably waive such claim and release the Company from any liability it has or might have in respect thereof.

Notwithstanding the foregoing, nothing in this letter shall waive any indemnity to which I might be entitled at law or under the articles of association of the Company, the provisions of the indemnity in Clause 10.4(A) (as described above), any insurance policy in respect of directors' and officers' liability in place for my benefit and any deed of indemnity in place for my benefit in respect of any act, matter or thing done, permitted or suffered by me in good faith whilst a director of the Company and in my capacity as such.

Yours faithfully

Signed as a deed by [*name of individual*] in the presence of:)
)
)

_____
(Signature of individual)

Witness's signature: _____

Name (print): _____

Occupation: _____

Address: _____

LIST OF AGREED FORM DOCUMENTS

The following documents are required to be in the Agreed Form pursuant to this Agreement:

- the GSK Transaction Announcement
- the Novartis Transaction Announcement

IN WITNESS whereof, the parties have entered into this Agreement the day and year first before written

SIGNED BY David Redfern
duly authorised for and on behalf of
GLAXOSMITHKLINE PLC

/s/ David Redfern
Signature

SIGNED BY David Redfern /s/ David Redfern
duly authorised for and on behalf of Signature
SETFIRST LIMITED

SIGNED BY David Redfern
duly authorised for and on behalf of
GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

/s/ David Redfern
Signature

SIGNED BY Keren Haruvi /s/ Keren Haruvi
duly authorised for and on behalf of Signature
NOVARTIS AG

SIGNED BY Michael Stewart /s/ Michael Stewart
duly authorised for and on behalf of Signature
NOVARTIS AG

SIGNED BY Keren Haruvi /s/ Keren Haruvi
duly authorised for and on behalf of Signature
NOVARTIS HOLDING AG

SIGNED BY Michael Stewart /s/ Michael Stewart
duly authorised for and on behalf of Signature
NOVARTIS HOLDING AG

SIGNED BY Keren Haruvi
duly authorised for and on behalf of
NOVARTIS FINANCE CORPORATION

/s/ Keren Haruvi
Signature

SIGNED BY Michael Stewart
duly authorised for and on behalf of
NOVARTIS FINANCE CORPORATION

/s/ Michael Stewart
Signature

Exhibit 4.8

Execution version

GlaxoSmithKline Consumer Healthcare Holdings Limited

980 Great West Road
Brentford
Middlesex, TW8 9GS

GlaxoSmithKline plc

980 Great West Road
Brentford
Middlesex, TW8 9GS

Setfirst Limited

980 Great West Road
Brentford
Middlesex, TW8 9GS

Novartis AG

Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

Novartis Holding AG

c/o Novartis AG
Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

Novartis Finance Corporation

c/o Novartis AG
Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

1 June 2018

Dear Sirs,

Proposed buyout of Novartis's 36.5% interest in GlaxoSmithKline Consumer Healthcare Holdings Limited: settlement

1. Reference is made to the put option implementation agreement entered into on 27 March 2018 between GlaxoSmithKline Consumer Healthcare Holdings Limited, GlaxoSmithKline plc, Setfirst Limited, Novartis AG, Novartis Holding AG and Novartis Finance Corporation (the "Put **Option Implementation Agreement")**. Unless otherwise defined in this letter, terms defined in the Put Option Implementation Agreement shall have the same meaning when used in this letter.

2. The parties to the Put Option Implementation Agreement hereby acknowledge and agree that the Put Option Implementation Agreement shall be amended by:

(A) deleting the entire text of Clause 8.3 and replacing it with the following:

"8.3 Subject to Clause 8.4, promptly following the Cancellation having taken effect in accordance with Applicable Law, the Company shall, and GSK shall procure that the Company shall, pay in accordance with Clause 15:

(A) to the First Novartis Shareholder USD12,056,164,384; and

(B) to the Second Novartis Shareholder USD943,835,616,

in each case:

(i) in the event that:

(a) the Cancellation takes effect in accordance with Applicable Law on a Completion Business Day; and

(b) the Company does not receive confirmation from the Registrar as to the same at a time reasonably sufficient to enable it promptly to instruct the making of such payments to the First Novartis Shareholder and the Second Novartis Shareholder before 15:00 (London time) on such Completion Business Day,

on the next following Completion Business Day (and the Company shall (and GSK shall procure that the Company shall) instruct the making of such payments by no later than 10:00 (London time) on such day); or

(ii) in any other event, on the same Completion Business Day as the Cancellation takes effect in accordance with Applicable Law (or, if the Cancellation takes effect in accordance with Applicable Law on a day that is not a Completion Business Day, on the next following Completion Business Day)."; and

(B) deleting the entire text of Clause 8.6 and replacing it with the following:

"8.6 In the event that the Consideration Amount is not paid by or on the first Completion Business Day after the Completion Date, interest shall be payable on the Consideration Amount from (and including) the next day to (but excluding) the date of actual payment (as well after as before judgment) at the Interest Rate, provided that:

(A) no interest shall be payable under this Clause 8.6 in respect of any day where interest is also levied under Clause 15.3; and

(B) for the purposes of this Clause 8.6 only, where the Consideration Amount is paid on the next following Completion Business Day after the Completion Business Day on which the Cancellation takes effect in accordance with Applicable Law pursuant to and in accordance with Clause 8.3(B)(i), such payment shall be deemed to have been made on the Completion Business Day on which the Cancellation so took effect."

3. Save as amended pursuant to this letter, the Put Option Implementation Agreement shall continue in full force and effect. The Put Option Implementation Agreement and this letter shall be read and construed as one document.

4. The parties to this letter intend this letter to be executed as a deed and confirm that it is executed and delivered as a deed on the date set out on page 1, notwithstanding the fact that they may only execute it under hand.

5. This letter may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this letter, but all the counterparts shall together constitute but one and the same instrument.

6. This letter is to be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of, or in connection with, this letter, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

7. The courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, arising out of, or in connection with, this letter. Any Proceedings shall be brought in the English courts. Each party waives (and agrees not to raise) any objection, on the grounds of *forum non conveniens* or on any other ground, to the taking of Proceedings in the English courts. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction. Each party irrevocably submits and agrees to submit to the exclusive jurisdiction of the English courts.

Yours faithfully,

[signatures follow]

Executed as a **DEED** by
GlaxoSmithKline Consumer Healthcare Holdings Limited
acting as an authorised signatory in the presence of:

/s/ Tobias Hestler
Authorised signatory

Witness' signature: /s/ Raman Kaur

Name (print): Raman Kaur

Occupation: Corporate Secretariat

Address: 980 Great West Road, Brentford TW8 9GS

Executed as a **DEED** by
Setfirst Limited
acting as an authorised signatory in the
presence of:

/s/ Subesh Williams
Authorised signatory

Witness' signature: /s/ Raman Kaur

Name (print): Raman Kaur

Occupation: Corporate Secretariat

Address: 980 Great West Road, Brentford TW8 9GS

Executed as a **DEED** by
Setfirst Limited
acting as an authorised signatory in the
presence of:

/s/ Subesh Williams
Authorised signatory

Witness' signature: /s/ Raman Kaur

Name (print): Raman Kaur

Occupation: Corporate Secretariat

Address: 980 Great West Road, Brentford TW8 9GS

We acknowledge and agree to the contents of this letter.

Executed as a **DEED** by

Keren Haruvi	and	/s/ Keren Haruvi
Michael Stewart		/s/ Michael Stewart

on behalf of Novartis AG

We acknowledge and agree to the contents of this letter.

Executed as a **DEED** by

Keren Haruvi /s/ Keren Haruvi

and

Michael Stewart /s/ Michael Stewart

on behalf of Novartis Holding AG

We acknowledge and agree to the contents of this letter.

Executed as a **DEED** by

Keren Haruvi /s/ Keren Haruvi

and

Michael Stewart /s/ Michael Stewart

on behalf of Novartis Finance Corporation

Exhibit 4.9

Execution version

GlaxoSmithKline Consumer Healthcare Holdings Limited

980 Great West Road
Brentford
Middlesex, TW8 9GS

GlaxoSmithKline plc

980 Great West Road
Brentford
Middlesex, TW8 9GS

Setfirst Limited

980 Great West Road
Brentford
Middlesex, TW8 9GS

Novartis AG

Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

Novartis Holding AG

c/o Novartis AG
Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

Novartis Finance Corporation

c/o Novartis AG
Lichstrasse 35
4056 Basel
Switzerland
FAO: Head of Legal M&A

30 July 2018

Dear Sirs,

Buyout of Novartis's 36.5% interest in GlaxoSmithKline Consumer Healthcare Holdings Limited: true-up following completion

1. Reference is made to the put option implementation agreement entered into on 27 March 2018 between GlaxoSmithKline Consumer Healthcare Holdings Limited, GlaxoSmithKline plc, Setfirst Limited, Novartis AG, Novartis Holding AG and Novartis Finance Corporation, as amended by a letter agreement dated 1 June 2018 (the "**Put Option Implementation Agreement**"). Unless otherwise defined in this letter, terms defined in the Put Option Implementation Agreement shall have the same meaning when used in this letter.

2. The parties to the Put Option Implementation Agreement hereby acknowledge and agree that the Put Option Implementation Agreement shall, with effect from the date hereof, be amended by:

(A) deleting from Clause 1.1 the definitions of **"Completion Balance Sheet", "Excess Cash True-up Amount"** and **"Cash Shortfall True-up Amount";**

(B) inserting into Clause 1.1 the following definitions (in alphabetical order):

(i) ***"Audited Completion Balance Sheet"*** *has the meaning given in Clause 9.2;*

(ii) ***"Final Cash Shortfall True-up Amount"*** *has the meaning given in Clause 9.5(B);*

(iii) ***"Final Excess Cash True-up Amount"*** *has the meaning given in Clause 9.5(A);*

(iv) ***"Interim Cash Shortfall True-up Amount"*** *has the meaning given in Clause 9.4(B);*

(v) ***"Interim Excess Cash True-up Amount"*** *has the meaning given in Clause 9.4(A); and*

(vi) ***"Unaudited Completion Balance Sheet"*** *has the meaning given in Clause 9.1;*

(C) deleting the entire text of Clause 6.1(ii) and replacing it with the following:

"(ii) any reduction of share capital or any reducible reserve or account shall ensure that sufficient distributable reserves remain to allow payment of the Interim Excess Cash True-up Amount and/or the Final Excess Cash True-up Amount (as applicable); and";

(D) deleting the entire text of Clause 9 and replacing it with the following:

"9. TRUE-UP FOLLOWING COMPLETION

*9.1 As soon as reasonably practicable and, in any event, within 45 UK Business Days following Completion, the Company shall, and GSK shall procure that the Company shall, (acting in good faith) prepare and provide to the parties to this Agreement an unaudited interim consolidated balance sheet for the Company as at (and including) 31 May 2018, as extracted from the monthly management accounts of the Company prepared in the ordinary course of business, with the notes and/or schedules thereto showing the amount of Readily Available Cash (the "**Unaudited Completion Balance Sheet**").*

*9.2 As soon as reasonably practicable and, in any event, on or before 30 November 2018, the Company shall, and GSK shall procure that the Company shall, (acting in good faith) prepare (in accordance with the Accounting Policies) and provide to the parties to this Agreement an audited interim consolidated balance sheet for the Company as at (and including) 31 May 2018 with the notes and/or schedules thereto showing the amount of Readily Available Cash (the **"Audited Completion Balance Sheet"**).*

9.3 For the avoidance of doubt, the Unaudited Completion Balance Sheet and the Audited Completion Balance Sheet shall be prepared on a basis that disregards:

(A) matters occurring in any period from and including the Completion Date (including, without limitation, the Cancellation, payment of the Consideration Amount, the Interim Excess Cash True-up Amount, the Interim Cash Shortfall True-up Amount, the Final Excess Cash True-up Amount or the Final Cash Shortfall True-up Amount (as applicable)); and

(B) any changes affecting the balance sheet of the Company arising as a result of or in connection with the Cancellation (including steps preparatory thereto) or the Put Option Transaction, and including, without limitation:

(i) any such changes relating to the receipt of any financing by the Company in connection with the Put Option Transaction, including the issuance of shares by any member of the Company's Group to any member of the GSK Group or any Borrowings by any member of the Company's Group; and

(ii) any Preparatory Capital Step that is undertaken.

9.4 If, following the provision of the Unaudited Completion Balance Sheet in accordance with Clause 9.1, the aggregate amount shown in the Unaudited Completion Balance Sheet in respect of Readily Available Cash is:

*(A) greater than the Base Cash Amount, then the Company shall pay to the Novartis Shareholders (pro rata according to their respective Percentage Interests immediately prior to Completion) an amount in GBP equal to the lesser of (i) such difference or (ii) the amount of distributable reserves as stated in the Unaudited Completion Balance Sheet, in either case multiplied by the Novartis Percentage (the **"Interim Excess Cash True-up Amount"**); or*

*(B) less than the Base Cash Amount, then the Novartis Shareholders shall pay to the Company an amount in GBP equal to such difference multiplied by the Novartis Percentage (the **"Interim Cash Shortfall True-up Amount"**)*

in either case, on the first Completion Business Day that is at least ten UK Business Days after (but excluding) the date on which the Unaudited Completion Balance Sheet is provided in accordance with Clause 9.1.

9.5 If, following the provision of the Audited Completion Balance Sheet in accordance with Clause 9.2, the aggregate amount shown in the Audited Completion Balance Sheet in respect of Readily Available Cash is:

*(A) greater than the aggregate amount shown in the Unaudited Completion Balance Sheet in respect of Readily Available Cash, then the Company shall pay to the Novartis Shareholders (pro rata according to their respective Percentage Interests immediately prior to Completion) an amount in GBP equal to the lesser of (i) such difference or (ii) the amount of distributable reserves as stated in the Audited Completion Balance Sheet, in either case multiplied by the Novartis Percentage (the **"Final Excess Cash True-up Amount"**); or*

*(B) less than the aggregate amount shown in the Unaudited Completion Balance Sheet in respect of Readily Available Cash, then the Novartis Shareholders shall pay to the Company an amount in GBP equal to such difference multiplied by the Novartis Percentage (the **"Final Cash Shortfall True-up Amount"**)*

in either case, on the first Completion Business Day that is at least ten UK Business Days after (but excluding) the date on which the Audited Completion Balance Sheet is provided in accordance with Clause 9.2.

9.6 For the avoidance of doubt, any payment made or liability incurred pursuant to Clauses 9.4 or 9.5 by either the Novartis Shareholders or the Company shall be treated as an adjustment to the consideration for the Cancellation to the extent of the payment or liability."; and

(E) deleting the entire text of Clause 16.2 and replacing it with the following:

*"16.2 If the party to whom a payment in respect of the Consideration Amount, the Interim Excess Cash True-up Amount, the Interim Cash Shortfall True-up Amount, the Final Excess Cash True-up Amount or the Final Cash Shortfall True-up Amount (as applicable) is being made (the **"payee"**) is or becomes aware of any facts making it reasonably likely that the relevant payer will be required to deduct or withhold any amount in respect of the Consideration Amount, the Interim Excess Cash True-up Amount, the Interim Cash Shortfall True-up Amount, the Final Excess Cash True-up Amount or the Final Cash Shortfall True-up Amount (as applicable) (each, a **"Relevant Tax Deduction"**), then that payee shall, as soon as reasonably practicable, give notice to the party making the payment (the "payer") (including details of the relevant facts and, so far as possible, details of the rate and basis of such withholding).".*

3. Save as amended pursuant to this letter, the Put Option Implementation Agreement shall continue in full force and effect. The Put Option Implementation Agreement and this letter shall be read and construed as one document.

4. The parties to this letter intend this letter to be executed as a deed and confirm that it is executed and delivered as a deed on the date set out on page 1, notwithstanding the fact that they may only execute it under hand.

5. This letter may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this letter, but all the counterparts shall together constitute but one and the same instrument.

6. This letter is to be governed by, and construed in accordance with, English law. Any matter, claim or dispute arising out of, or in connection with, this letter, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

7. The courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, arising out of, or in connection with, this letter. Any Proceedings shall be brought in the English courts. Each party waives (and agrees not to raise) any objection, on the grounds of forum non conveniens or on any other ground, to the taking of Proceedings in the English courts. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction. Each party irrevocably submits and agrees to submit to the exclusive jurisdiction of the English courts.

Yours faithfully,

[signatures follow]

Executed as a **DEED** by
GlaxoSmithKline Consumer Healthcare Holdings Limited
acting as an authorised signatory in the presence of:

)
)
)
)

/s/ Tobias Hestler
Authorised signatory

Witness' signature: /s/ Raman Kaur

Name (print): Raman Kauer

Occupation: Company Secretary

Address: 980 Great West Road, Brentford TW8 9GS UK.

Executed as a **DEED** by	)	
GlaxoSmithKline plc	)	/s/ Subesh Williams
acting as an authorised signatory in the	)	Authorised signatory
presence of:	)	

Witness' signature:	/s/ Raman Kaur
Name (print):	Raman Kaur
Occupation:	Company Secretary
Address:	980 Great West Road, Brentford TW8 9GS UK.

Executed as a **DEED** by	)	
Setfirst Limited	)	/s/ Subesh Williams
acting as an authorised signatory in the	)	Authorised signatory
presence of:	)	

Witness' signature:	/s/ Raman Kaur
Name (print):	Raman Kaur
Occupation:	Company Secretary
Address:	980 Great West Road, Brentford TW8 9GS UK.

We acknowledge and agree to the contents of this letter:

Executed as a **DEED** by		)	
		)	
Keren Haruvi	and	)	/s/ Keren Haruvi
		)	
		)	
Michael Stewart		)	/s/ Michael Stewart
		)	
		)	
on behalf of Novartis Finance		)	
Corporation		)	

We acknowledge and agree to the contents of this letter:

Executed as a **DEED** by		)	
		)	
Keren Haruvi	and	)	/s/ Keren Haruvi
		)	
		)	
Michael Stewart		)	/s/ Michael Stewart
		)	
		)	
on behalf of Novartis Holding AG		)	

We acknowledge and agree to the contents of this letter:

Executed as a **DEED** by		)	
		)	
Keren Haruvi	and	)	/s/ Keren Haruvi
		)	
		)	
Michael Stewart		)	/s/ Michael Stewart
		)	
		)	
on behalf of Novartis AG		)	

EXHIBIT 4.10

STOCK AND ASSET PURCHASE AGREEMENT

by and among

PFIZER INC.,

GLAXOSMITHKLINE PLC

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

DATED AS OF DECEMBER 19, 2018

Confidential Treatment Requested by GlaxoSmithkline plc

TABLE OF CONTENTS

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER PARENT

ARTICLE VI

COVENANTS

ANNEXES

EXHIBITS

STOCK AND ASSET PURCHASE AGREEMENT

This STOCK AND ASSET PURCHASE AGREEMENT, dated as of December 19, 2018 (this "Agreement"), is by and among Pfizer Inc., a Delaware corporation ("Seller Parent"), GlaxoSmithKline Plc, a public limited company incorporated under the laws of England ("Purchaser Parent", and together with Seller Parent, the "Parents"), and GlaxoSmithKline Consumer Healthcare Holdings Limited, a company incorporated under the laws of England ("Purchaser," and together with the Parents, the "Parties").

W I T N E S S E T H:

WHEREAS, in addition to its other businesses, Seller Parent is engaged through certain of its Subsidiaries in the Business (as defined below);

WHEREAS, in addition to its other businesses, Purchaser Parent is engaged through Purchaser in the Purchaser Business (as defined below);

WHEREAS, the Parties desire that (a) the Sellers (as defined below) sell and transfer to Purchaser or the Purchaser Designated Affiliates (as defined below), and that Purchaser or such Purchaser Designated Affiliates purchase from the Sellers, all of Seller Parent's and the other Sellers' right, title and interest in the Purchased Assets; (b) Purchaser and such Purchaser Designated Affiliates assume the Assumed Liabilities (as defined below); and (c) Purchaser allot and issue to Seller Parent or its applicable designee B Ordinary Shares in the capital of Purchaser, in the case of each of clauses (a), (b), and (c), in the manner and upon the terms and conditions set forth herein;

WHEREAS, certain Sellers, Purchaser, Purchaser Parent and the Purchaser Designated Affiliates, at or prior to the Closing, will execute each of the Ancillary Agreements; and

WHEREAS, the respective Boards of Directors of Seller Parent, Purchaser Parent and Purchaser have approved this Agreement, the Structuring Considerations Agreement, the Purchaser Shareholders Agreement and the transactions contemplated hereby and thereby.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms have the meanings set forth or as referenced below:

"A Ordinary Shares" has the meaning set forth in Section 2.7.

"ABO" has the meaning set forth in Section 6.6(e)(i).

"Accounting Principles" has the meaning set forth in Section 2.8.

"Action" means any action, cause of action, claim, charge, suit, countersuit, hearing, complaint, arbitration, subpoena, audit, investigation, litigation or proceeding by or before any court, Governmental Authority or arbitration tribunal.

"ADR" means American Depositary Receipts of Purchaser Parent issued under the Deposit Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person at any time during the period for which the determination of affiliation is being made. For purposes of this Agreement, (a) the Conveyed Subsidiaries (and their Subsidiaries) shall be deemed to be (i) Affiliates of Seller Parent (and not Purchaser Parent or Purchaser) prior to the Closing, and (ii) Affiliates of Purchaser Parent and Purchaser (and not Seller Parent or any other Seller) as of and following the Closing and (b) Purchaser and its Subsidiaries shall be deemed to be Affiliates of Purchaser Parent (and not Seller Parent) prior to, as of and following the Closing.

"Agreement" has the meaning set forth in the preamble of this Agreement, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"Amended Consignment Selling Agreement" means the amended consignment selling agreement, substantially in the form provided to Seller Parent prior to the date hereof, to be entered into between Hindustan Unilever Limited and Leo Asia Private Limited on or around the time of completion of the divestiture of Horlicks and other consumer healthcare nutrition brands to Unilever plc and the merger of Leo Consumer Healthcare Limited India with Hindustan Unilever Limited.

"Ancillary Agreements" means, collectively, the Transition Services Agreement, Intellectual Property License Agreement, Manufacturing and Supply Agreement (Seller Parent as Supplier), Manufacturing and Supply Agreement (Purchaser as Supplier), IP Assignment Agreements, Transitional Trademark License Agreement, Safety Data Exchange Agreement, Lease Agreement, Local Implementing Agreements, the Structuring Considerations Agreement and the Purchaser Shareholders Agreement.

"Ancillary Implementing Agreements" means, collectively, the IP Assignment Agreements and the Local Implementing Agreements.

"Anti-Corruption Laws" means the U.S. Foreign Corrupt Practices Act of 1977, as amended; the U.K. Bribery Act of 2010; and any applicable Law related to anti-bribery or anti-corruption in any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of the Closing.

"Antitrust Laws" means statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other Laws of any jurisdiction that are designed or intended to prohibit, restrict or regulate actions that may have the purpose or effect of creating a monopoly, lessening competition or restraining trade.

"Approvals" means any consent, approval or authorization of, permit or license issued or granted by, Governmental Order, waiver or exemption by, negative clearance from, or the expiration or early termination of any waiting period imposed by, any Person (including any third party or Governmental Authority (including any Governmental Antitrust Authority)).

"Assumed Contracts" has the meaning set forth in Section 2.1(e).

"Assumed Liabilities" has the meaning set forth in Section 2.4.

"B Ordinary Shares" has the meaning set forth in Section 2.7.

"Balance Sheet Date" has the meaning set forth in Section 4.6(a).

"Business" means the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (a) the products sold under the brand names set forth on Annex E-1 or variations or derivatives of such names (including translations thereof) (the "Business Key Products", and such brands, the "Business Key Brands"), as conducted by Seller Parent (directly and indirectly through its Subsidiaries) as of the date of this Agreement and as of immediately prior to the Closing and (b) any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (other than the PCH Split Products), as conducted by Seller Parent (directly and indirectly through its Subsidiaries) through its Pfizer Consumer Healthcare business unit (directly or indirectly pursuant to a contractual arrangement with any other Pfizer business unit, to the extent of the Pfizer Consumer Healthcare business unit's rights pursuant to such contractual arrangement) as of the date of this Agreement and as of immediately prior to the Closing.

"Business Copyrights" means all Copyrights, Copyright registrations and applications for Copyright registration that both (a) are owned by Seller Parent or its Subsidiaries and (b) are Related to the Business.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in New York City or London are authorized or obligated by Law or executive order to close.

"Business Employee" means each individual who, immediately prior to the Closing (a) is employed by Seller Parent or its Affiliates (other than the Conveyed Subsidiaries or their Subsidiaries) and devotes 70% or more of his or her services to the Business, or (b) is employed by any of the Conveyed Subsidiaries (or their Subsidiaries), including, to the extent required by Law, any individual described in clause (a) or (b) who is not actively at work as a result of an approved leave of absence (including disability leave, military leave, or family medical leave).

"Business Employee (non-U.S.)" means a Business Employee based outside of the United States.

"Business Employee (U.S.)" means a Business Employee based in the United States.

"Business IP" means (a) all Business Copyrights, Business Patent Rights, Business Trademark Rights, Business Know-How and Business Software, (b) all other Intellectual Property that both (i) is owned, or purported to be owned, by Seller Parent or its Subsidiaries and (ii) is Related to the Business, and (c) all Intellectual Property listed in the IP Schedules; provided that the Business IP does not include any Registered IP that is not listed, or required to be listed, on the IP Schedules.

"Business IT Systems" means all Information Systems that both (a) are owned by Seller Parent or its Subsidiaries and (b)(i) are solely related to, solely held for use with, or solely used in connection with the Business; or (ii) located at a Facility.

"Business Key Brands" has the meaning set forth in the definition of "Business."

"Business Key Products" has the meaning set forth in the definition of "Business."

"Business Know-How" means all Know-How that both (a) is owned by Seller Parent or its Subsidiaries and (b) is Related to the Business.

"Business Licensed IP" has the meaning set forth in Section 4.13(c).

"Business Net Cash" means the amount (which may be a positive or negative number) equal to (a) all Cash Equivalents *minus* (b) all outstanding Funded Indebtedness, in each case, of the Conveyed Subsidiaries and their Subsidiaries, as of 12:01 a.m. (New York time) on the Closing Date; provided that any Cash Equivalents or Funded Indebtedness of the Conveyed Subsidiaries or their Subsidiaries as of 12:01 a.m. (New York time) on the Closing Date that will not be Purchased Assets or Assumed Liabilities (subject to the last sentence of Section 2.2(b)) shall be excluded from the calculation of Business Net Cash.

"Business Patent Rights" means all Patent Rights that (a) both (i) are owned by Seller Parent or its Subsidiaries and (ii) are solely related to, solely held for use with, or solely used in connection with the Business; or (b) are listed on the IP Schedules.

"Business Software" means all Software that both (a) is owned or purported to be owned by Seller Parent or its Subsidiaries and (b) is Related to the Business.

"Business Trademark Rights" means all of the following that are owned by or registered to Seller Parent or its Subsidiaries (a)(i) all Trademarks (including Trademark registrations and applications for Trademark registrations) that are (A) solely related to, solely held for use with, or solely used in connection with the Business; or (B) listed in the IP Schedules; (b) all Trademarks that contain, comprise, or include (but only to the extent they include) a Trademark described in the foregoing clause (a); (c) all Trademarks that are confusingly similar to the Trademarks described in clauses (a) or (b) such that they could not be used in commerce without infringing such Trademarks; (d) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing; and (e) the goodwill of the Business symbolized by any of the foregoing.

"Business Working Capital" means the amount (which may be a positive or negative number) equal to (a) the sum of the assets of the Business as of 12:01 a.m. (New York time) on the Closing Date represented in the line items shown on the Sample Closing Statement for the Business as of such time, *minus* (b) the sum of the liabilities of the Business as of 12:01 a.m. (New York time) on the Closing Date represented in the liability line items shown on the Sample Closing Statement for the Business as of such time, in each case calculated in a manner consistent with the Accounting Principles and the Sample Closing Statement; provided that there shall be excluded from such calculation the Excluded Assets, the Retained Liabilities, all assets or Liabilities in respect of Income Taxes (whether current, deferred, or contingent), any amounts included in the calculation of Business Net Cash, any intercompany accounts or Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7, and any intercompany receivables and intercompany payables, and other intercompany Liabilities, solely between or among any Conveyed Subsidiaries and any of their Subsidiaries.

"Cash Equivalents" means, with respect to any Person and as of any time, all cash and cash equivalents, checks, money orders, marketable securities, short-term instruments, bank and other depositary accounts, certificates of deposit, time deposits, negotiable instruments, securities and brokerage accounts, funds in time and demand deposits or similar accounts of such Person as of such time, calculated, in the case of Seller Parent, in a manner consistent with the Accounting Principles and the Sample Closing Statement, and in the case of Purchaser, in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement, (a) excluding the value of outstanding checks and wire transfers that have been issued or transmitted by such Person but have not yet cleared as of such time, unless a corresponding liability is included in the calculation of Business Working Capital or Purchaser Working Capital, as applicable, (b) including the value of uncollected bank deposits of such Person and outstanding checks and wire transfers that have been issued or transmitted to such Person but have not yet cleared as of such time (provided that such outstanding checks and wire transfers ultimately clear), unless in each case a corresponding asset is included in the calculation of Business Working Capital or Purchaser Working Capital, as applicable, and (c) including (i) with respect to Purchaser, the value of any out-of-pocket costs or expenses incurred by either Purchaser or Purchaser Parent prior to the Closing pursuant to Section 2.2, Section 6.3(d) or Section 6.3(i) (in each case, other than any Purchaser Parent Transaction Expenses) and (ii) with respect to the Conveyed Subsidiaries and their Subsidiaries, the value of any out-of-pocket costs or expenses incurred by either Seller Parent or its Affiliates prior to the Closing pursuant to Section 2.2, Section 6.3(d) or Section 6.3(i) (in each case, other than any Seller Parent Transaction Expenses).

"China Entities" has the meaning set forth in Section 6.5(g)(iii)(A).

"Clean Team Agreement" means the Clean Team Confidentiality Agreement between Seller Parent and Purchaser Parent, dated as of December 17, 2018, as amended or supplemented from time to time.

"Closing" means the closing of the transactions contemplated by this Agreement pursuant and subject to the terms of this Agreement.

"Closing Date" has the meaning set forth in Section 3.1(a).

"Closing Statement Finalization Date" has the meaning set forth in Section 2.9(f).

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral Source" has the meaning set forth in Section 7.6.

"Collective Bargaining Agreement" means any collective bargaining agreement, labor agreement, work rules or practices, or any other labor-related agreements or arrangements with any labor union, labor organization, works council or consultation body.

"Comparable Position" has the meaning set forth in Section 6.6(b)(i).

"Compliance Requirements" has the meaning set forth in Section 6.15(a).

"Confidential Information" has the meaning set forth in Section 6.12(b).

"Confidentiality Agreement" means the Confidentiality Agreement between Seller Parent and Purchaser Parent, dated as of October 11, 2018, as amended or supplemented from time to time.

"Continuation Period" has the meaning set forth in Section 6.6(c)(i).

"Contract" means any contract, agreement, lease or license (other than any Governmental Authorization) that is binding on any Person or any part of its property under applicable Law, including any amendment thereto, other than any Seller Group Plan, Purchaser Group Plan, Foreign Seller Group Plan and Foreign Purchaser Group Plan.

"Controlling Party" has the meaning set forth in Section 6.5(e)(iii).

"Conveyed Subsidiaries" means those entities set forth in Section 1.1(A) of the Seller Disclosure Letter, as such Section may be amended by Seller Parent prior to the Closing Date solely to reflect any changes pursuant to the Seller Internal Restructurings (including any steps Seller Parent shall undertake to effect the Seller Internal Restructurings) made in accordance with Section 6.5(f)(i).

"Conveyed Subsidiary Excluded Asset" has the meaning set forth in Section 2.1.

"Conveyed Subsidiary Plan" means each Seller Group Plan and each Foreign Seller Group Plan sponsored and maintained by any Conveyed Subsidiary or Subsidiary thereof.

"Copyrights" has the meaning set forth in the definition of "Intellectual Property."

"Counterparty" has the meaning set forth in Section 6.3(d)(ii)(A).

"D&O Indemnitees" has the meaning set forth in Section 6.21(a).

"DC Employees (non-U.S.)" has the meaning set forth in Section 6.6(g)(i).

"DC Employees (U.S.)" has the meaning set forth in Section 6.6(f)(i).

"DC Transfer Amounts" has the meaning set forth in Section 6.6(g)(ii).

"Deductible" has the meaning set forth in Section 7.5(a).

"De Minimis Claim Threshold" has the meaning set forth in Section 7.5(a).

"Delayed Antitrust Approval" has the meaning set forth in Section 6.3(e)(i).

"Delayed Business" has the meaning set forth in Section 6.3(e)(i).

"Delayed Business Cut-Off Date" has the meaning set forth in Section 6.3(e)(i).

"Delayed Business Notice" has the meaning set forth in Section 6.3(e)(i).

"Delayed Business Purchaser" has the meaning set forth in Section 6.3(e)(i).

"Delayed Employment Period" has the meaning set forth in Section 6.6(b)(iii).

"Delayed Transfer Employee" has the meaning set forth in Section 6.6(b)(iii).

"Deposit Agreement" means the deposit agreement dated December 27, 2000, as amended and restated as of December 21, 2007, between Purchaser Parent, the Bank of New York Mellon (as depositary thereunder) and the owners and holders of ADRs issued thereunder.

"Direct Transfer" has the meaning set forth in Section 6.5(g)(iii)(A).

"Disability Employee" has the meaning set forth in Section 6.6(b)(iv).

"Disputed Item" has the meaning set forth in Section 2.9(b).

"Environmental Law" means the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., and any applicable Law of any jurisdiction, as in effect on or prior to the Closing Date, relating to pollution or the protection of the environment, natural resources, wildlife or threatened or endangered species (including indoor and outdoor air, soil, sediment, surface water, groundwater, drinking water, and surface or subsurface land), public or worker health or safety with respect to Hazardous Materials, or the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, Release, disposal, recycling, treatment or other management of Hazardous Materials.

"Environmental Liability" means any Liability arising under Environmental Laws.

"Environmental Permit" means any Governmental Authorization held by either a Conveyed Subsidiary (or a Subsidiary thereof) for its then-current operations or a Seller for the then-current operation of any Real Property, each following the consummation of any Seller Internal Restructurings and as of the Closing Date, and required pursuant to an Environmental Law.

"Equipment" has the meaning set forth in Section 2.1(d).

"Equipment Leases" has the meaning set forth in Section 2.1(d).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any Person that would be treated at a relevant time as a single employer with any other Person under Section 4001(b) of ERISA or Section 414 of the Code.

"Estimated Business Deficit Adjustment" has the meaning set forth in Section 2.8(c).

"Estimated Business Excess Adjustment" has the meaning set forth in Section 2.8(b).

"Estimated Business Net Cash" means Seller Parent's good-faith estimate of the Business Net Cash as set forth on the Estimated Closing Statement.

"Estimated Business Working Capital" means Seller Parent's good-faith estimate of the Business Working Capital as set forth on the Estimated Closing Statement.

"Estimated Closing Statement" means a written statement setting forth the Estimated Business Working Capital and the Estimated Business Net Cash, prepared in a manner consistent with the Accounting Principles and the Sample Closing Statement.

"Estimated Purchaser Closing Statement" means a written statement setting forth the Estimated Purchaser Working Capital and the Estimated Purchaser Net Cash, prepared in a manner consistent with the Purchaser Accounting Principles and the Sample Purchaser Closing Statement.

"Estimated Purchaser Deficit Adjustment" has the meaning set forth in Section 2.8(e).

"Estimated Purchaser Excess Adjustment" has the meaning set forth in Section 2.8(d).

"Estimated Purchaser Net Cash" means Purchaser Parent's good-faith estimate of the Purchaser Net Cash as set forth on the Estimated Purchaser Closing Statement.

"Estimated Purchaser Working Capital" means Purchaser Parent's good-faith estimate of the Purchaser Working Capital as set forth on the Estimated Purchaser Closing Statement.

"Excluded Assets" has the meaning set forth in Section 2.3(a).

"Facilities" means the manufacturing and research and development facilities listed in Section 1.1(B) of the Seller Disclosure Letter.

"FCA" means the United Kingdom Financial Conduct Authority.

"FICA" has the meaning set forth in Section 6.6(p).

"Filings" means any registrations, applications, declarations, reports, submissions or other filings with, or any notices to, any Person (including any third party or Governmental Authority (including any Governmental Antitrust Authority)).

"Final Business Deficit Adjustment" has the meaning set forth in Section 2.9(h).

"Final Business Excess Adjustment" has the meaning set forth in Section 2.9(g).

"Final Business Net Cash" has the meaning set forth in Section 2.9(e).

"Final Business Working Capital" has the meaning set forth in Section 2.9(e).

"Final Closing Statement" means (a) if no notice of Disputed Items with respect to the Proposed Closing Statement is delivered by either Parent within the period provided in Section 2.9(b), the Proposed Closing Statement as prepared by Purchaser, or (b) if such a notice of Disputed Items with respect to the Proposed Closing Statement is timely delivered by a Parent, the Proposed Closing Statement with modifications as agreed to in writing by the Parties and/or as directed by the Independent Accountant pursuant to Section 2.9(d), as applicable.

"Final Determination" means (a) with respect to U.S. federal Income Taxes, a "determination" as defined in Section 1313(a) of the Code, and (b) with respect to Taxes other than U.S. federal Income Taxes, any final determination of Liability in respect of a Tax that, under applicable Law, is not subject to further appeal, review or modification through proceedings or otherwise, including the expiration of a statute of limitations or a period for the filing of claims for refunds, amended Tax Returns or appeals from adverse determinations.

"Final Pre-Closing Income Tax Amount" has the meaning set forth in Section 6.5(d)(vi)(A).

"Final Purchaser Net Cash" has the meaning set forth in Section 2.9(e).

"Final Purchaser Parent Deficit Adjustment" has the meaning set forth in Section 2.9(j).

"Final Purchaser Parent Excess Adjustment" has the meaning set forth in Section 2.9(i).

"Final Purchaser Working Capital" has the meaning set forth in Section 2.9(e).

"Financial Statements" has the meaning set forth in Section 4.6(a).

"Foreign Purchaser Group Plan" means each pension, profit sharing, savings, retirement, health, life, disability, deferred compensation, incentive, bonus, employment, retention, change in control, termination, severance and fringe benefit plan, program, or arrangement maintained, or contributed to, by Purchaser Parent or any of its Affiliates in which any Purchaser Business Employee (non-U.S.) or Former Purchaser Business Employee (non-U.S.) participates or is a party, other than plans, programs, or arrangements required to be maintained or contributed to by the Laws of the relevant jurisdiction and other than the Purchaser Group Plans.

"Foreign Seller Group Plan" means each pension, profit sharing, savings, retirement, health, life, disability, deferred compensation, incentive, bonus, employment, retention, change in control, termination, severance and fringe benefit plan, program, or arrangement maintained, or contributed to, by Seller Parent or any of its Affiliates in which any Business Employee (non-U.S.) or Former Business Employee (non-U.S.) participates or is a party, other than plans, programs, or arrangements required to be maintained or contributed to by the Laws of the relevant jurisdiction and other than the Seller Group Plans.

"Form Ancillary Agreement" has the meaning set forth in Section 6.14(a).

"Former Business Employee" means an employee of Seller Parent or its Affiliates who both (A) performed services on behalf of or to the Business as of immediately prior to his or her termination of employment, and (B) would have been considered a Business Employee if his or her employment had not terminated prior to the Closing. The term "Former Business Employee" when followed by "(U.S.)" means a Former Business Employee who was employed in the United States and when followed by "(non-U.S.)" means a Former Business Employee who was employed outside the United States.

"Former Purchaser Business Employee" means an employee of Purchaser Parent or its Affiliates who both (A) performed services on behalf of or to the Purchaser Business as of immediately prior to his or her termination of employment, and (B) would have been considered a Purchaser Business Employee if his or her employment had not terminated prior to the Closing. The term "Former Purchaser Business Employee" when followed by "(U.S.)" means a Former Purchaser Business Employee who was employed in the United States and when followed by "(non-U.S.)" means a Former Purchaser Business Employee who was employed outside the United States.

"FSMA" means the UK Financial Services and Markets Act 2000.

"Fundamental Purchaser Parent Representations" means the representations and warranties of Purchaser Parent contained in Section 5.1, Section 5.2, Section 5.3(a), Section 5.3(b), Section 5.16 and Section 5.20.

"Fundamental Seller Parent Representations" means the representations and warranties of Seller Parent contained in Section 4.1, Section 4.2, Section 4.3(a), Section 4.3(b), Section 4.15 and Section 4.19.

"Funded Indebtedness" means, with respect to any Person and as of any time, without duplication, the following obligations of such Person as of such time (including in respect of principal, accrued and unpaid interest, premiums (including make-whole premiums), prepayment penalties, breakage costs and other fees, expenses and charges that would arise as a result of the discharge of such amount owed and directly attributable to the consummation of the Closing), calculated, in the case of Seller Parent, in a manner consistent with the Accounting Principles and the Sample Closing Statement, and in the case of Purchaser, in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement: (a) the outstanding principal amount of any indebtedness for borrowed money; (b) all capitalized lease obligations that are classified by such Person as a balance sheet liability in accordance with the Accounting Principles or Purchaser Accounting Principles, as applicable; (c) all direct reimbursement obligations in respect of letters of credit, solely to the extent such letters of credit have actually been drawn; (d) all obligations evidenced by bonds, notes, debentures or debt securities; (e) any net payment obligations under any interest rate or currency hedging Contract to the extent classified by such Person as a balance sheet liability in accordance with the Accounting Principles or Purchaser Accounting Principles, as applicable, calculated as of such time as the net amount of payment that would be required to be paid by such Person to the counterparty bank(s) upon the unwind or early termination of such Contract at such time; (f) any amounts owing as deferred purchase price of, or a contingent payment for, any business, assets, property, goods or services (other than ordinary course trade payables and those listed on Section 1.1(C) of the Seller Disclosure Letter); (g) all guarantees and keepwell arrangements issued by such Person to a creditor against a loss with respect to the obligations described in clauses (a) through (f) of another Person; and (h) in the case of the Conveyed Subsidiaries and their Subsidiaries, Seller Accrued Income Taxes and, in the case of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), Purchaser Accrued Income Taxes; provided that Funded Indebtedness shall not include (i) any intercompany payables, or other intercompany Liabilities, solely between or among (A) any Conveyed Subsidiaries (or any of their Subsidiaries) and any of their Subsidiaries or (B) Purchaser (or any of its Subsidiaries) and any of its Subsidiaries, (ii) any intercompany accounts or other Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7, (iii) any Liabilities in respect of Taxes (other than Purchaser Accrued Income Taxes or Seller Accrued Income Taxes), including any reserves for contingent Taxes, or (iv) any amounts included in the calculation of the Business Working Capital or Purchaser Working Capital.

"FUTA" has the meaning set forth in Section 6.6(p).

"GAAP" means generally accepted accounting principles in the United States.

"Global Trade Control Laws" means U.S. Export Administration Regulations; the U.S. International Traffic in Arms Regulations; the U.S. economic sanctions rules and regulations implemented under statutory authority and/or the President's Executive Orders and administered by the U.S. Department of the Treasury Office of Foreign Assets Control; European Union (E.U.) Council Regulations on export controls, including Nos. 428/2009, 267/2012; other E.U. Council sanctions regulations, as implemented in E.U. Member States; United Nations sanctions policies; and other relevant economic sanctions, export and import control Laws in any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of Closing.

"Goods in Transit" means Products that have left a facility of Seller Parent (or any Subsidiary of Seller Parent), were recorded by Seller Parent (or the Subsidiary of Seller Parent) as sales in their accounting systems at or prior to 12:01 a.m. (New York time) on the Closing Date, but have not been received by customers or Purchaser.

"Governmental Antitrust Authority" means any of the U.S. Federal Trade Commission, the Antitrust Division of the U.S. Department of Justice, the attorneys general of the several states of the United States and any other Governmental Authority having jurisdiction with respect to the transactions contemplated hereby pursuant to applicable Antitrust Laws.

"Governmental Authority" means any supra-national, transnational, national, state, municipal or local government, any federal, state, city, municipality or other political subdivision thereof and any entity, department, bureau, body, agency, commission, authority or court of competent jurisdiction, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government and any executive official thereof or any arbitral body.

"Governmental Authorizations" means all licenses, permits, certificates, clearances, registrations, consents and other authorizations and approvals from any Governmental Authority required to carry on the Business or the Purchaser Business, as applicable, under the applicable Laws of any Governmental Authority.

"Governmental Order" means any order, writ, judgment, injunction, decree, ruling, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Materials" means all pollutants, contaminants, wastes or chemicals or other materials or substances defined, classified, listed or regulated as "hazardous," "extremely hazardous," "restricted hazardous wastes," "dangerous," "pollutants," "contaminants," "toxic," or words of similar import under any Environmental Law, including asbestos, asbestos containing materials, lead-based paint, toxic mold, petroleum, and petroleum products, or for which Liability may be imposed under Environmental Law.

"Hold-Back Termination Date" has the meaning set forth in Section 6.3(e)(i).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"IFRS" means the body of pronouncements issued by the International Accounting Standards Board (IASB), including International Financial Reporting Standards and interpretations approved by the IASB, International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee as endorsed under the EU accounting regulations and included in the periodic report showing the status of endorsement by the European Financial Reporting Advisory Group.

"Income Tax" means any U.S. federal, state, local or non-U.S. Taxes imposed on or calculated by reference to net income or profits (however denominated), franchise Taxes and other similar Taxes.

"Income Tax Return" means any Tax Return in respect of Income Taxes.

"Indebtedness" means, with respect to any Person and as of any time, without duplication, the following obligations as of such time: (a) all Funded Indebtedness of such Person and (b) all letters of credit or performance bonds issued for the account of such Person (and reimbursement obligations in respect thereof).

"Indemnified Party" has the meaning set forth in Section 7.3(a).

"Indemnifying Party" has the meaning set forth in Section 7.3(a).

"Independent Accountant" means any registered independent public accounting firm of international standing as Seller Parent and Purchaser shall mutually agree upon.

"Indirect Transfers" has the meaning set forth in Section 6.5(g)(iii)(B).

"Information Systems" means (a) computer systems, servers, workstations, routers, hubs, switches, data communications networks (other than the Internet) and other information technology equipment used to create, store, transmit, exchange or receive information, voice or data and (b) documentation, user manuals, and training manuals documenting the functionality or use of any of the foregoing.

"Insurance Matter" has the meaning set forth in Section 6.18(b).

"Insurance Policy" has the meaning set forth in Section 6.18(b).

"Intellectual Property" means all intellectual property rights throughout the world, including: (a) Patent Rights, (b) trademarks, service marks, corporate names, trade names, Internet Identifiers, logos, slogans, trade dress, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing ("Trademarks"), (c) copyrights and intellectual property rights in copyrightable and other works, moral rights, design rights and other sui generis rights ("Copyrights"), (d) trade secrets or other proprietary rights in clinical, technical, scientific, manufacturing, regulatory and other information, inventions (whether or not patentable), discoveries, designs, results, techniques, database rights, data, databases, data collections and other know-how, including plans, processes, practices, methods, trade secrets, instructions, formulae, formulations, recipes, compositions, specifications, protocols, analytical and quality control

information and procedures, test data and results, reports, studies, and marketing, pricing, distribution, cost and sales information ("Know-How"), (e) intellectual property rights in Software and (f) applications and registrations and renewals for, and all associated rights with respect to, any of the foregoing in any jurisdiction, including all rights to collect royalties, products and proceeds with respect to any of the foregoing.

"Intellectual Property License Agreement" has the meaning set forth in Section 6.14(a).

"Intentional Breach" means, with respect to any representation, warranty, covenant or agreement in this Agreement, an action or omission taken or omitted to be taken on or after the date hereof that the breaching Person intentionally takes (or fails to take) and knows would, or would reasonably be expected to, cause a material breach of such representation, warranty, covenant or agreement.

"Internet Identifier" means any Internet domain name or electronic address, Internet domain name registration, uniform resource locator, social media accounts, or social media account addresses or other identifiers, alpha-numeric designations associated with any of the foregoing, and account names or identifiers, passwords or other credentials to access or modify the access rights to any of the foregoing.

"Inventory" means (a) all raw material inventory, work-in-process inventory, Goods in Transit and finished Products inventory, in each case, solely owned by Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) and solely used or held for use in the Business (other than any raw material inventory, work-in-process inventory and finished products inventory subject to a Manufacturing and Supply Agreement (Seller Parent as Supplier)) and (b) raw material inventory, work-in-process inventory and finished products inventory, in each case, solely owned by Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) and solely used or held for use in a Manufacturing and Supply Agreement (Purchaser as Supplier), but excluding any raw material inventory or work-in-process inventory (including any active pharmaceutical ingredients) that Seller Parent or any of its Affiliates supplies through a tolling or similar arrangement (including, following the Closing, any Manufacturing and Supply Agreement (Purchaser as Supplier), and including all Customer-Supplied Materials (as defined therein)) to a Facility prior to, on or following the Closing for the manufacture of products subject to a Manufacturing and Supply Agreement (Purchaser as Supplier) (which raw material inventory and work-in-process inventory (including such Customer-Supplied Materials), for clarity, shall not be Inventory or any other Purchased Asset and Purchaser shall acquire no right, title or interest therein).

"IP Assignment Agreements" has the meaning set forth in Section 6.14(a).

"IP Schedules" has the meaning set forth in Section 4.13(a).

"IRS" means the U.S. Internal Revenue Service.

"Know-How" has the meaning set forth in the definition of "Intellectual Property."

"Knowledge of Purchaser Parent" means the actual knowledge of any of the individuals listed in Section 1.1(B) of the Purchaser Parent Disclosure Letter.

"Knowledge of Seller Parent" means the actual knowledge of any of the individuals listed in Section 1.1(D) of the Seller Disclosure Letter.

"Laws" means any law, act, statute, ordinance, rule, directive, regulation, code, treaty (including any Tax treaty) of any Governmental Authority or any Governmental Order.

"Lease Agreement" has the meaning set forth in Section 6.14(d).

"Leased Purchaser Real Property" means all real property primarily related to, held for use with, or used in connection with the Purchaser Business, other than the Owned Purchaser Real Property.

"Leased Real Property" has the meaning set forth in Section 2.1(c).

"Liabilities" means any and all Losses, debts, liabilities and obligations, whether accrued or unaccrued, fixed or variable, known or unknown, absolute or contingent, matured or unmatured or determined or determinable.

"Liens" means any lien, security interest, mortgage, charge, pledge, license, easement or other similar encumbrance, title defect or material use or transfer restriction, it being understood and agreed that "Lien" does not include any non-exclusive license or other non-exclusive grant of rights to Intellectual Property.

"Listing Rules" means the rules and regulations made by the FCA pursuant to Part 6, section 73A of the FSMA and contained in the FCA's publication of the same name.

"Local Implementing Agreements" means the various Share transfer agreements, Purchased Asset transfer agreements and other agreements and the schedules and exhibits thereto to be entered into by Purchaser and the Purchaser Designated Affiliates and the applicable Sellers for purposes of implementing the sale, transfer, conveyance, and assignment, as applicable, of the applicable Sellers' right, title and interest in the Shares and the other Purchased Assets to, and the employment of the Business Employees consistent with Section 6.6 by, Purchaser and such Purchaser Designated Affiliates, and the assumption of the Assumed Liabilities, as the case may be, in the appropriate jurisdictions, prepared and executed in accordance with Section 6.14. The Parties agree that the Local Implementing Agreements shall not expand or limit the rights and obligations of the Parties or their Affiliates beyond those provided for in this Agreement, and that the Local Implementing Agreements shall not provide for any additional rights, obligations or indemnities of the Parties or their Affiliates, that are not provided for in this Agreement. For clarity, the Indirect Transfers shall be effected pursuant to a Local Implementing Agreement.

"Loss" means any and all damages, losses, Taxes, penalties, judgments, settlements, payments, fines, interest, costs and expenses (including the reasonable out-of-pocket costs and expenses of attorneys and other professional advisors incurred in the investigation, defense and/or settlement thereof), but excluding any damages to the extent not reasonably foreseeable, loss of business reputation, or punitive or exemplary damages (in each case, other than to the extent such damages are awarded to any third party by Governmental Order against, and paid by, an Indemnified Party).

"Make-Whole Award" has the meaning set forth in Section 6.6(c)(vi).

"Manufacturing and Supply Agreement (Purchaser as Supplier)" has the meaning set forth in Section 6.14(a).

"Manufacturing and Supply Agreement (Seller Parent as Supplier)" has the meaning set forth in Section 6.14(a).

"Manufacturing Registrations" means all Governmental Authorizations granted to Seller Parent or any of its Affiliates by, or pending with, any Governmental Authority for manufacturing facilities that are Facilities.

"Material Adverse Effect" means any change, event, development, occurrence or effect that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on the business, results of operations or financial condition of the Business, taken as a whole; provided, however, that any change, event, development, occurrence or effect to the extent resulting from or arising out of any of the following, either alone or in combination, shall not be considered in determining whether there has been or may be a Material Adverse Effect: (i) general economic conditions (including changes in (A) financial or market conditions, (B) currency exchange rates, (C) prevailing interest rates or credit markets or (D) the price of commodities or raw materials) applicable in countries, jurisdictions or markets in which there are Purchased Assets or sales of Products (or the securities, syndicated loan, credit or financial markets globally or in any such economies, countries, jurisdictions or markets); (ii) changes (or proposed changes) in the legal, Tax, regulatory or political conditions (including changes in Law or in the interpretation or application of Law) applicable in countries, jurisdictions or markets in which there are Purchased Assets or sales of Products; (iii) changes (or proposed changes) in GAAP or other applicable accounting standards or the interpretations thereof; (iv) conditions in or affecting the industries in which the Business operates; (v) conditions resulting from natural disasters, earthquakes, hurricanes, tsunamis, floods, fires, storms, typhoons, lightning, hail storms, blizzards, tornadoes, droughts, cyclones, arctic frosts, mudslides, wildfires, manmade disasters, acts of God, pandemics or other weather-related or natural conditions, or the commencement, occurrence, continuation or intensification of any war (whether or not declared), sabotage, armed hostilities, civil unrest, military attacks or acts of terrorism or declaration of national emergency; (vi) any failure by the Business to meet budgets, plans, projections or forecasts (whether internal or otherwise) for any period (it being understood that the underlying causes of the failure to meet such budgets, plans, projections or forecasts may be taken into account in determining whether a Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph; provided that this clause (vi) shall not be construed as implying that Seller Parent is making any representation or warranty herein with respect to any budgets, plans, projections or forecasts, and no such representations or warranties are being made); (vii) any change in Seller Parent's stock price or trading volume (it being understood that the underlying causes of such change may be taken

into account in determining whether a Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph); (viii) Seller Parent's pursuit of strategic alternatives for the Business or the negotiation, execution, announcement, performance, pendency or consummation of this Agreement, the transactions contemplated hereby or by any of the Ancillary Agreements (it being understood and agreed that the foregoing shall not apply to the representations and warranties set forth in Section 4.4), the identity of Purchaser or any of its Affiliates or any acts or omissions of Purchaser or its Affiliates or any communication by Purchaser or any of its Affiliates, including in respect of its plans or intentions (including in respect of the Business Employees) with respect to the Business, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees; (ix) without limiting clause (viii) above, any action taken by Seller Parent or its Affiliates (including any Conveyed Subsidiary and their Subsidiaries) as expressly required by this Agreement, including any changes, events or effects arising out of the application of Antitrust Laws (including any action or judgment arising under Antitrust Laws) to this Agreement or the transactions contemplated hereby or the effect of any action taken (or agreed to be taken) by Seller Parent, Purchaser, or any of their respective Affiliates pursuant to Section 6.3; (x) any action taken, or failure to take action, or such other changes or events, in each case, to which Purchaser has consented in writing; (xi) any labor strike, slow down, lockout or stoppage, pending or threatened, against the Business; or (xii) any Excluded Assets or Retained Liabilities; provided, further, that any change, event, development, occurrence or effect referred to in clauses (i), (ii), (iii), (iv) and (v) may be considered in determining whether there has been or may be a Material Adverse Effect to the extent such change, event, development, occurrence or effect has a disproportionate adverse impact on the business, results of operations or financial condition of the Business, taken as a whole, relative to the other businesses in the industries in which the Business operates (in which case only such incremental disproportionate impact may be considered in determining whether there has been or may be a Material Adverse Effect).

"Material Contract" has the meaning set forth in Section 4.12(a).

"Most Cost-Effective Manner" means a Remedial Action based upon (a) the least stringent clean-up standards that, based on the use classification (industrial, commercial or residential) as of the Closing Date of the applicable real property subject to the Remedial Action, are established under Environmental Law and (b) the least-costly methods that are in accordance with Environmental Law, in each case of (a) and (b) that are approved by or otherwise acceptable to the applicable Governmental Authorities, including the use of engineering and institutional controls to eliminate or minimize exposure pathways, and may also include, in the reasonable discretion of the Party responsible for such Remedial Action, any other Remedial Action that is allowed under applicable Environmental Law and approved by or otherwise acceptable to the applicable Governmental Authorities.

"Name Change Date" has the meaning set forth in Section 6.15(a).

"New Subsidiaries" has the meaning set forth in Section 6.27.

"Non-Controlling Party" has the meaning set forth in Section 6.5(e)(iii).

"Non-Indemnified Claims" has the meaning set forth in Section 6.17(b).

"Notice 7" has the meaning set forth in Section 6.5(g)(iii)(B).

"Off-the-Shelf Software" means software licensed from a third party on general commercial terms that continues to be commonly available for license on such general commercial terms.

"Ordinary Shares" means the A Ordinary Shares and the B Ordinary Shares.

"Outside Date" has the meaning set forth in Section 9.1(b).

"Outstanding Antitrust Jurisdiction" has the meaning set forth in Section 6.3(e)(i).

"Owned Purchaser Real Property" means the real property that both (a) is owned by Purchaser Parent or its Subsidiaries and (b) is primarily related to, held for use with, or used in connection with the Purchaser Business.

"Owned Real Property" has the meaning set forth in Section 2.1(b).

"Parent Indemnified Parties" has the meaning set forth in Section 7.2.

"Parents" has the meaning set forth in the preamble of this Agreement.

"Parties" has the meaning set forth in the preamble of this Agreement.

"Patent Rights" means (a) issued patents, (b) invention disclosures, and pending patent applications, including all provisional applications, substitutions, continuations, continuations-in-part, divisions and renewals, and all patents granted thereon, (c) patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof, (d) inventor's certificates, (e) registered or other utility model rights, registered or other design rights and registered or other industrial property rights and (f) United States and foreign counterparts of any of the foregoing.

"PCH Split Products" has the meaning set forth in the definition of "Retained Businesses."

"Pension Transfer Amounts" has the meaning set forth in Section 6.6(e)(ii).

"Permitted Liens" means (a) Liens approved in writing by Purchaser; (b) statutory Liens arising out of operation of Law with respect to a Liability incurred in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Financial Statements; (c) Liens and other imperfections of title that do not materially detract from the value or materially impair the use of the property subject thereto or make such property unmarketable or uninsurable; (d) with respect to real property, (i) easements, declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances that are recorded against title to real estate which do not materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; (ii) zoning ordinances,

variances, conditional use permits and similar regulations, permits, approvals and conditions which are not violated by the current use of the real property subject thereto in the operation of the Business conducted thereon; (iii) Liens not created by the Sellers that affect the underlying fee interest of any leased real property, including master leases or ground leases, which do not materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; and (iv) all matters of record and any state of facts that an accurate survey or inspection of the property would disclose to the extent such matters or states of fact do not materially detract from the value or materially impair the use or occupancy of such real property in the operation of the Business conducted thereon; (e) Liens for Taxes, assessments or other governmental charges or levies (i) that are not yet due or payable or (ii) that are being contested in good faith by appropriate proceedings and for which an adequate reserve has been established in the Financial Statements; (f) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other similar Liens and security obligations arising in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Financial Statements; (g) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; (h) Liens that will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; (i) Liens arising on assets and products sold in the ordinary course of business; (j) Liens arising in connection with any consignment arrangement entered into in the ordinary course of business; (k) Liens identified in the Financial Statements (including in the notes thereto); (l) with respect to any equity of a Conveyed Subsidiary (or any of its Subsidiaries), any restrictions under applicable securities Laws and any Lien set forth in the governing documents of such Conveyed Subsidiary (or any of its Subsidiaries); (m) other Liens that do not materially detract from the value of, or materially impair the current use of, the assets subject thereto; and (n) Liens disclosed or set forth in the Seller Disclosure Letter.

"Person" means an individual, a limited liability company, joint venture, a corporation, a partnership, an association, a trust, a division or operating group of any of the foregoing or other entity or organization, including a Governmental Authority.

"Plan Regulatory or Funding Documents" means (to the extent applicable) (i) the most recent summary plan description with respect to each such plan, (ii) any related trust or other funding vehicle and any current administrative or service contract or insurance policy, (iii) the most recent annual report on IRS Form 5500 and the most recent actuarial report, financial statements or similar reports or statements, (iv) the most recent determination or opinion letter received from the IRS with respect to each such plan intended to qualify under Section 401 of the Code and (v) any documents applicable to a Foreign Seller Group Plan or Foreign Purchaser Group Plan (as applicable) that are analogous to those contemplated by clauses (i) through (iv).

"Post-Closing Representation" has the meaning set forth in Section 10.17(a).

"Post-Closing Tax Period" means any taxable period (or portion thereof) beginning after the Closing Date and, in the case of any Straddle Period, the portion of such period beginning after the Closing Date.

"PRC Taxing Authority" means any Taxing Authority in the People's Republic of China.

"Pre-Closing Income Tax Amount" has the meaning set forth in Section 6.5(d)(vi)(A).

"Pre-Closing Separate Tax Returns" has the meaning set forth in Section 6.5(a)(i).

"Pre-Closing Tax Period" means any taxable period (or portion thereof) ending on or before the Closing Date and, in the case of any Straddle Period, the portion of such period ending on and including the Closing Date.

"Preference Shares" means non-voting, irredeemable preference shares with a nominal value of £1.00 each in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association and the Purchaser Shareholders Agreement.

"Product Registrations" means all Governmental Authorizations granted to a Conveyed Subsidiary or a Seller by, or pending with, any Governmental Authority and Related to the Business, to market any Product, including FDA drug listings, FDA Product Marketing Authorizations, other national or regional marketing authorizations or permits and CE marks anywhere in the world. "Product Registrations" shall not include any Manufacturing Registrations.

"Products" means (a) the products researched, developed, manufactured, marketed, commercialized, distributed and/or sold under the brand names set forth on Annex E-1 or variations or derivatives of such names (including translations thereof) that are researched, developed, manufactured, marketed, commercialized, distributed and/or sold by or on behalf of Seller Parent (directly and indirectly through its Subsidiaries) as of the date hereof and as of immediately prior to the Closing, (b) any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (other than the PCH Split Products) that are researched, developed, manufactured, marketed, commercialized, distributed and/or sold by or on behalf of Seller Parent (directly and indirectly through its Subsidiaries) through the Pfizer Consumer Healthcare business unit (directly or indirectly pursuant to a contractual arrangement with any other Pfizer business unit, to the extent of the Pfizer Consumer Healthcare business unit's rights pursuant to such contractual arrangement) as of the date hereof and as of immediately prior to the Closing and (c) with respect to each of the foregoing products (clauses (a) and (b)), any line extensions or other developments with respect to such product that are in progress as of the date hereof or immediately prior to the Closing Date.

"Property Taxes" means real, personal and intangible *ad valorem* property Taxes.

"Proposed Closing Statement" has the meaning set forth in Section 2.9(a).

"Proposed Divestiture" has the meaning set forth in Section 6.3(d)(ii).

"Purchase Consideration" has the meaning set forth in Section 2.7.

"Purchased Assets" has the meaning set forth in Section 2.1.

"Purchaser" has the meaning set forth in the preamble of this Agreement.

"Purchaser Account" means the bank account or accounts controlled solely by Purchaser specified by Purchaser in writing to the other Parties at least two (2) Business Days before the Closing Date.

"Purchaser Accrued Income Taxes" means an amount (not less than zero) equal to the aggregate current Income Tax liabilities of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries) (which shall not be less than zero in any jurisdiction) for all taxable periods (or portions thereof) ending on or before the Closing Date for which final Tax Returns have not been filed. The calculation of Purchaser Accrued Income Taxes shall (i) exclude any deferred Tax liabilities or deferred Tax assets and any amounts in respect of speculative or contingent liabilities for Tax, (ii) include estimated (or other prepaid) Income Tax payments only to the extent that such payments have the effect of reducing (not below zero) the particular current Income Tax liability in respect of which such payments were made, (iii) include Income Tax deductions or Tax refunds (including for overpayments of estimated Taxes), in each case, only to the extent such deductions or Tax refunds have the effect of reducing (not below zero) a particular current Income Tax liability to which they are relevant, (iv) be prepared in accordance with the past practice (including reporting positions and accounting methods) of Purchaser or its applicable Subsidiary in preparing Tax Returns for Income Taxes and (v) in the case of a Straddle Period, be determined in accordance with Section 6.5(d)(iii).

"Purchaser Accounting Principles" has the meaning set forth in Section 2.8(a).

"Purchaser Adverse Action" has the meaning set forth in Section 6.3(f).

"Purchaser Ancillary Agreement" has the meaning set forth in Section 6.7(b).

"Purchaser Assumed Employee Liabilities" has the meaning set forth in Section 6.6(a)(i).

"Purchaser Assumed Severance Liabilities" has the meaning set forth in Section 6.6(c)(ii).

"Purchaser Business" means (a) the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling the products sold under the brand names set forth on Annex E-2 or variations or derivatives of such names (including translations thereof) (the "Purchaser Key Products", and such brands, the "Purchaser Key Brands"), as conducted by Purchaser Parent (directly and indirectly through its Subsidiaries, including Purchaser and its Subsidiaries) as of the date of this Agreement and as of immediately prior to the Closing, (b) the business reflected in the Purchaser Financial Statements, including the assets, rights, properties, activities, operations and liabilities that comprise such business, (c) the business of marketing, commercializing, distributing and selling any over-the-counter consumer healthcare or medicine products, wellness products and other personal care, oral care, nutrition, skin health, cosmetic and related products (the "Consumer Healthcare Products") as conducted by Leo Asia Private Limited (including, for clarity, pursuant to the Amended Consignment Selling Agreement) as of the date of

this Agreement and as of immediately prior to the Closing and (d) to the extent not otherwise reflected in the Purchaser Financial Statements, the research and development of any Consumer Healthcare Products, as conducted by Purchaser Parent (directly and indirectly through its Subsidiaries) through its GlaxoSmithKline Consumer Healthcare business (directly or indirectly pursuant to a contractual arrangement with any other GlaxoSmithKline business, to the extent of the GlaxoSmithKline Consumer Healthcare business' rights pursuant to such contractual arrangement) as of the date of this Agreement and as of immediately prior to the Closing. Notwithstanding the foregoing, the following shall not be included in Purchaser Business: (x) the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling pharmaceutical products to the extent such business and the economic benefit attendant to such business is not reflected in the Purchaser Financial Statements and (y) those assets listed in Annex G.

"Purchaser Business Employee" means each individual who, immediately prior to the Closing: (a) is employed by Purchaser Parent or its Affiliates (other than Purchaser or its Subsidiaries) and devotes 70% or more of his or her services to the Purchaser Business but excluding any individual who is based in France or employed by any French Affiliate of Purchaser Parent, or (b) is employed by Purchaser (or its Subsidiaries).

"Purchaser Business Employee (non-U.S.)" means a Purchaser Business Employee based outside of the United States.

"Purchaser Business Employee (U.S.)" means a Purchaser Business Employee based in the United States.

"Purchaser Business Plan" means each Purchaser Group Plan and each Foreign Purchaser Group Plan sponsored and maintained by Purchaser or a Subsidiary of Purchaser.

"Purchaser Copyrights" means all Copyrights, Copyright registrations and applications for Copyright registration that are owned by Purchaser or its Subsidiaries.

"Purchaser Current Representation" has the meaning set forth in Section 10.17(b).

"Purchaser DC Plans (non-U.S.)" has the meaning set forth in Section 6.6(g)(i).

"Purchaser DC Plans (U.S.)" has the meaning set forth in Section 6.6(f)(i).

"Purchaser Designated Affiliate" has the meaning set forth in Section 10.3(b).

"Purchaser Designated Person" has the meaning set forth in Section 10.17(b).

"Purchaser Environmental Permit" means any Governmental Authorization held by Purchaser Parent or any of its Subsidiaries for the then-current operations of the Purchaser Business or for the then-current operation of any Purchaser Real Property, as of the Closing Date, and required pursuant to an Environmental Law.

"Purchaser Facilities" has the meaning set forth in Section 5.15(d).

"Purchaser Financial Statements" has the meaning set forth in Section 5.6(a).

"Purchaser FSA Plan" has the meaning set forth in Section 6.6(i).

"Purchaser Group Plan" means any employee benefit plan as defined in Section 3(3) of ERISA and any other material written fringe benefit, incentive, bonus, employment, retention, change in control, termination or severance plan, program, fund, agreement or arrangement, whether or not subject to ERISA, maintained (or contributed to or required to be contributed to) by Purchaser Parent or any of its Affiliates, in which any Purchaser Business Employee (U.S.) or Former Purchaser Business Employee (U.S.) participates or is a party.

"Purchaser Indemnified Parties" has the meaning set forth in Section 7.1(a).

"Purchaser Internal Restructurings" has the meaning set forth in Section 6.5(f)(ii).

"Purchaser IP" means (a) all Purchaser Copyrights, Purchaser Patent Rights, Purchaser Trademark Rights, Purchaser Know-How and Purchaser Software, and (b) all other Intellectual Property that is owned, or purported to be owned, by Purchaser or its Subsidiaries.

"Purchaser IT Systems" means all Information Systems that are owned by Purchaser or its Subsidiaries.

"Purchaser Key Products" has the meaning set forth in the definition of "Purchaser Business."

"Purchaser Key Brands" has the meaning set forth in the definition of "Purchaser Business."

"Purchaser Know-How" means all Know-How that is owned by Purchaser or its Subsidiaries.

"Purchaser Liabilities" means any and all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries), other than Liabilities identified as Purchaser Parent Retained Liabilities in clauses (a) through (f) of the definition of "Purchaser Parent Retained Liabilities", whether arising prior to, on or after the Closing, to the extent resulting from or arising out of the past, present or future ownership, operation, use or conduct of the Purchaser Business.

"Purchaser Licensed IP" means all Intellectual Property owned by Purchaser Parent or any of its Affiliates that has been licensed to Purchaser or its Subsidiaries pursuant to a Purchaser Ancillary Agreement, including the Purchaser Licensed Trademark Rights.

"Purchaser Licensed Trademark Rights" has the meaning set forth in Section 5.14(h).

"Purchaser Manufacturing Registrations" means all Governmental Authorizations granted to Purchaser Parent or any of its Affiliates by, or pending with, any Governmental Authority for manufacturing facilities that are Purchaser Facilities.

"Purchaser Material Adverse Effect" means any change, event, development, occurrence or effect that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on the business, results of operations or financial condition of the Purchaser Business, taken as a whole, or Purchaser and its Subsidiaries, taken as a whole; provided, however, that any change, event, development, occurrence or effect to the extent resulting from or arising out of any of the following, either alone or in combination, shall not be considered in determining whether there has been or may be a Purchaser Material Adverse Effect: (i) general economic conditions (including changes in (A) financial or market conditions, (B) currency exchange rates, (C) prevailing interest rates or credit markets or (D) the price of commodities or raw materials) applicable in countries, jurisdictions or markets in which there are assets of the Purchaser Business or sales of Purchaser Products (or the securities, syndicated loan, credit or financial markets globally or in any such economies, countries, jurisdictions or markets); (ii) changes (or proposed changes) in the legal, Tax, regulatory or political conditions (including changes in Law or in the interpretation or application of Law) applicable in countries, jurisdictions or markets in which there are assets of the Purchaser Business or sales of Purchaser Products; (iii) changes (or proposed changes) in IFRS or other applicable accounting standards or the interpretations thereof; (iv) conditions in or affecting the industries in which the Purchaser Business operates; (v) conditions resulting from natural disasters, earthquakes, hurricanes, tsunamis, floods, fires, storms, typhoons, lightning, hail storms, blizzards, tornadoes, droughts, cyclones, arctic frosts, mudslides, wildfires, manmade disasters, acts of God, pandemics or other weather-related or natural conditions, or the commencement, occurrence, continuation or intensification of any war (whether or not declared), sabotage, armed hostilities, civil unrest, military attacks or acts of terrorism or declaration of national emergency; (vi) any failure by the Purchaser Business to meet budgets, plans, projections or forecasts (whether internal or otherwise) for any period (it being understood that the underlying causes of the failure to meet such budgets, plans, projections or forecasts may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph; provided that this clause (vi) shall not be construed as implying that Purchaser Parent is making any representation or warranty herein with respect to any budgets, plans, projections or forecasts, and no such representations or warranties are being made); (vii) any change in Purchaser Parent's stock price or trading volume (it being understood that the underlying causes of such change may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred unless such causes are otherwise excepted under this paragraph); (viii) the negotiation, execution, announcement, performance, pendency or consummation of this Agreement, the transactions contemplated hereby or by any of the Ancillary Agreements (it being understood and agreed that the foregoing shall not apply to the representations and warranties set forth in Section 5.4); (ix) without limiting clause (viii) above, any action taken by Purchaser Parent, Purchaser or any of their Affiliates as expressly required by this Agreement, including any changes, events or effects arising out of the application of Antitrust Laws (including any action or judgment arising under Antitrust Laws) to this Agreement or the transactions contemplated hereby or the effect of any action taken (or agreed to be taken) by Seller Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3; (x) any action taken, or failure to take action, or such other changes or events, in each case, to which Seller Parent has consented in writing; (xi) any labor strike, slow down, lockout or stoppage, pending or threatened, against the Purchaser Business; or (xii) any Purchaser Parent Retained Liabilities; provided, further, that any change, event, development, occurrence or effect referred to in clauses (i), (ii), (iii), (iv) and (v)

may be considered in determining whether there has been or may be a Purchaser Material Adverse Effect to the extent such change, event, development, occurrence or effect has a disproportionate adverse impact on the business, results of operations or financial condition of the Purchaser Business, taken as a whole, relative to the other businesses in the industries in which the Purchaser Business operates (in which case only such incremental disproportionate impact may be considered in determining whether there has been or may be a Purchaser Material Adverse Effect).

"Purchaser Material Contract" has the meaning set forth in Section 5.13(a).

"Purchaser Net Cash" means the amount (which may be a positive or negative number) equal to (a) all Cash Equivalents *minus* (b) all outstanding Funded Indebtedness, in each case, of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), as of 12:01 a.m. (New York time) on the Closing Date; provided that all proceeds, payments or consideration received by Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) as a result of any action taken (or agreed to be taken) by Seller Parent, Purchaser Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3 shall be excluded from the calculation of Purchaser Net Cash.

"Purchaser Parent" has the meaning set forth in the preamble of this Agreement.

"Purchaser Parent Account" means the bank account or accounts specified by Purchaser Parent in writing to the other Parties hereto at least two (2) Business Days before the Closing Date.

"Purchaser Parent Adverse Recommendation Change" has the meaning set forth in Section 6.24(e).

"Purchaser Parent Board Recommendation" has the meaning set forth in Section 5.2(a).

"Purchaser Parent Combined Tax Returns" has the meaning set forth in Section 6.5(e)(v).

"Purchaser Parent Disclosure Letter" means the disclosure letter that Purchaser Parent has delivered to Seller Parent as of the date of this Agreement.

"Purchaser Parent Estimated Closing Statement" means a written statement setting forth the Estimated Purchaser Working Capital and the Estimated Purchaser Net Cash, prepared in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement.

"Purchaser Parent Final Plan" has the meaning set forth in Section 6.5(f)(iv).

"Purchaser Parent Indemnified Parties" has the meaning set forth in Section 7.1(a).

"Purchaser Parent Indemnified Taxes" has the meaning set forth in Section 6.5(d)(ii).

"Purchaser Parent Retained Businesses" mean all businesses of Purchaser Parent or any of its Subsidiaries other than the Purchaser Business, including the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (i) any products not included in the definition of "Purchaser Business" and (ii) without limiting the foregoing clause (i), any pharmaceutical products or pharmaceutical products that have become or may in the future become, in whole or in part, over-the-counter products (other than the products included in the definition of "Purchaser Business").

"Purchaser Parent Retained Liabilities" means any Liabilities of Purchaser Parent or its Affiliates (including Purchaser and its Subsidiaries) other than the Purchaser Liabilities. The Purchaser Parent Retained Liabilities shall include:

(a) all Liabilities for which Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries) expressly has responsibility pursuant to the terms of this Agreement or any Purchaser Ancillary Agreement;

(b) all Purchaser Parent Transaction Expenses;

(c) all Liabilities, including Liabilities for Taxes, of Purchaser Parent or its Subsidiaries to the extent related to or arising out of the assets, properties and rights of Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) or the Purchaser Parent Retained Businesses (including the assets listed in Annex G) (other than any Liabilities for which Purchaser or Seller Parent expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Agreement, and other than any Liabilities that are separately allocated pursuant to any other agreement or transaction related to such assets, properties or rights between Seller Parent or any of its Affiliates, on the one hand, and Purchaser Parent or any of its Affiliates, on the other hand, including any commercial or other agreements unrelated to this Agreement), including Environmental Liabilities, whether arising prior to, on or after the Closing, to the extent arising out of or related to the ownership or occupancy of any manufacturing, office, research and development, or warehouse facilities owned, leased or operated by Purchaser Parent or its Affiliates other than the Purchaser Facilities;

(d) all Indebtedness of Purchaser Parent and its Affiliates other than (i) Funded Indebtedness of Purchaser and its Subsidiaries included in the calculation of Final Purchaser Net Cash and (ii) Indebtedness of Purchaser and its Subsidiaries that is not Funded Indebtedness;

(e) all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) (i) pursuant to the Put Option Implementation Agreement, dated as of March 27, 2018, by and among Purchaser Parent, Purchaser and Novartis AG (among others), or (ii) related to or arising out of the divestiture of Horlicks and other consumer healthcare nutrition brands to Unilever plc or its Affiliates and the merger of GSK Consumer Healthcare Limited India with Hindustan Unilever Limited, and the transactions contemplated thereby and any related Contracts entered into in connection therewith other than the Amended Consignment Selling Agreement; and

(f) all Liabilities of Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) set forth in Section 1.1(C) of the Purchaser Parent Disclosure Letter.

"Purchaser Parent Shareholder Approval" has the meaning set forth in Section 5.2(a).

"Purchaser Parent Shareholder Approval Resolution" means the ordinary resolution of Purchaser Parent's shareholders required to approve the arrangements as contemplated herein or by any of the Ancillary Agreements.

"Purchaser Parent Shareholder Circular" means the related party (as defined in Chapter 11 of the Listing Rules) circular to be prepared and published by Purchaser Parent in connection with the Purchaser Parent Shareholder Meeting.

"Purchaser Parent Shareholder Meeting" has the meaning set forth in Section 6.24(a).

"Purchaser Parent Termination Fee" has the meaning set forth in Section 9.2(b).

"Purchaser Parent Transaction Expenses" means any outside counsel, investment banking, accounting, financial advisory and other advisory costs, fees and expenses incurred by Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries) at or prior to the Closing specifically in connection with the evaluation and negotiation of a transaction involving Seller Parent and the Business, and the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, including the Purchaser Internal Restructurings, in each case other than costs, fees and expenses for which Seller Parent or its Affiliates expressly has responsibility (including pursuant to payment, reimbursement, indemnification or other similar obligations set forth herein) pursuant to the terms of this Agreement.

"Purchaser Patent Rights" means all Patent Rights that are owned by Purchaser or its Subsidiaries.

"Purchaser Pension Plans" has the meaning set forth in Section 6.6(e)(i).

"Purchaser Permitted Liens" means (a) Liens approved in writing by Seller Parent; (b) statutory Liens arising out of operation of Law with respect to a Liability incurred in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Purchaser Financial Statements; (c) Liens and other imperfections of title that do not materially detract from the value or materially impair the use of the property subject thereto or make such property unmarketable or uninsurable; (d) with respect to real property, (i) easements, declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances that are recorded against title to real estate which do not materially impair the use or occupancy of such real property in the operation of the Purchaser Business conducted thereon; (ii) zoning ordinances, variances, conditional use permits and similar regulations, permits, approvals and conditions which are not violated by the current use of the real property subject thereto in the operation of the Purchaser Business conducted thereon; (iii) Liens not created by Purchaser Parent or its Affiliates that affect the underlying fee interest of any leased real property, including master leases or ground leases, which do not materially impair the use or occupancy of such real property in the operation of the Purchaser Business conducted thereon; and (iv) all matters of record and any state of facts that an accurate survey or inspection of the property would disclose to the extent such matters or states of fact do not materially detract from the value or materially impair the use

or occupancy of such real property in the operation of the Purchaser Business conducted thereon; (e) Liens for Taxes, assessments or other governmental charges or levies (i) that are not yet due or payable or (ii) that are being contested in good faith by appropriate proceedings and for which an adequate reserve has been established in the Purchaser Financial Statements; (f) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other similar Liens and security obligations arising in the ordinary course of business for amounts which are not yet due and payable or for which an adequate reserve has been established in the Purchaser Financial Statements; (g) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; (h) Liens that will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; (i) Liens arising on assets and products sold in the ordinary course of business; (j) Liens arising in connection with any consignment arrangement entered into in the ordinary course of business; (k) Liens identified in the Purchaser Financial Statements (including in the notes thereto); (l) with respect to any equity of Purchaser or any of its Subsidiaries, any restrictions under applicable securities Laws and any Lien set forth in the governing documents of Purchaser (or any of its Subsidiaries); (m) other Liens that do not materially detract from the value of, or materially impair the current use of, the assets subject thereto; and (n) Liens disclosed or set forth in the Purchaser Parent Disclosure Letter.

"Purchaser Privileged Communications" has the meaning set forth in Section 10.17(d).

"Purchaser Product Registrations" means all Governmental Authorizations granted to Purchaser Parent or a Subsidiary of Purchaser Parent by, or pending with, any Governmental Authority and Related to the Purchaser Business to market any Purchaser Products, including FDA drug listings, FDA Product Marketing Authorizations, other national or regional marketing authorizations or permits and CE marks anywhere in the world. "Purchaser Product Registrations" shall not include any Purchaser Manufacturing Registrations.

"Purchaser Products" means the products researched, developed, manufactured, marketed, commercialized, distributed and/or sold by the Purchaser Business, and any line extensions or other developments with respect to such products that are in progress as of the date hereof or immediately prior to the Closing Date.

"Purchaser Real Property" means, collectively, the Leased Purchaser Real Property and the Owned Purchaser Real Property.

"Purchaser Real Property Leases" means real property leases, subleases, licenses and occupancy arrangements with respect to the Leased Purchaser Real Property.

"Purchaser Related Party Contract" means any Contract between Purchaser Parent and any of its Affiliates (other than Purchaser and its Subsidiaries), on the one hand, and Purchaser or its Subsidiaries, on the other hand.

"Purchaser Retiree Medical Plan" has the meaning set forth in Section 6.6(h).

"Purchaser Shared Contract" means any Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement entered into prior to the date hereof (or entered into prior to the Closing in accordance with this Agreement) that is between Purchaser Parent or any of its Subsidiaries (including Purchaser and its Subsidiaries), on the one hand, and one or more third parties, on the other hand, that inures to the benefit or burden of both the Purchaser Business and any Purchaser Parent Retained Business, other than any enterprise-wide Contracts, Contracts with respect to Off-the-Shelf Software, Purchaser Group Plans, Foreign Purchaser Group Plans, Collective Bargaining Agreements and any agreement or grant with any Taxing Authority; provided that any such Contract that provides only *de minimis* assets or services to the Purchaser Business or the Purchaser Parent Retained Business, as the case may be, shall not be deemed to be a Purchaser Shared Contract for purposes hereof.

"Purchaser Shareholders Agreement" has the meaning set forth in Section 6.14(b).

"Purchaser Software" means all Software (a) that is owned by Purchaser or its Subsidiaries and (b) that is exclusively used by Purchaser or its Subsidiaries in the operation of the Purchaser Business.

"Purchaser Tax Act" has the meaning set forth in Section 6.5(d)(i).

"Purchaser Tax Indemnified Parties" has the meaning set forth in Section 6.5(d)(i).

"Purchaser Trademark Rights" means all Trademarks, including Trademark registrations and applications for Trademark registrations, (a) that are owned by or registered to Purchaser or its Subsidiaries (including any Purchaser Key Brands); or (b) containing, comprising, or including (but only to the extent they include) any of the foregoing clause (a), including, in each case of clauses (a) and (b), (x) all Trademarks that are confusingly similar to the Trademarks described in clauses (a) and (b) (such that they could not be used in commerce without infringing such Trademarks), (y) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing and (z) the goodwill symbolized by any of the foregoing.

"Purchaser Working Capital" means the amount (which may be a positive or negative number) equal to (a) the sum of the assets of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), on a consolidated basis, as of 12:01 a.m. (New York time) on the Closing Date represented in the asset line items shown on the Purchaser Sample Closing Statement as of such time, *minus* (b) the sum of the liabilities of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries), on a consolidated basis, as of 12:01 a.m. (New York time) on the Closing Date represented in the liability line items shown on the Purchaser Sample Closing Statement for Purchaser as of such time, in each case calculated in a manner consistent with the Purchaser Accounting Principles and the Purchaser Sample Closing Statement; provided that there shall be excluded from such calculation any Purchased Assets (regardless of the time of day at which the Closing occurs), the Purchaser Parent Retained Liabilities, all assets or Liabilities in respect of Income Taxes (whether current, deferred, or contingent), any amounts included in the calculation of Purchaser Net Cash, the proceeds, payments or consideration paid or payable to Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries)

as a result of any action taken (or agreed to be taken) by Seller Parent, Purchaser Parent, Purchaser or any of their respective Affiliates pursuant to Section 6.3, any intercompany accounts or other Liabilities to be repaid or extinguished pursuant to this Agreement in connection with the Closing, including pursuant to Section 6.7, and any intercompany receivables and intercompany payables, and other intercompany Liabilities, solely between or among Purchaser (or any of its Subsidiaries) and any of its Subsidiaries.

"Real Property" means, collectively, the Leased Real Property and the Owned Real Property.

"Real Property Leases" has the meaning set forth in Section 2.1(c).

"Records" means (a) all current and historical books, records, reports and other documents and information that pertain to business plans, budgets, financial and accounting data, brand insights and research, Business IP, vendors, manufacturing, customers, research and development of the Products, invoices, marketing and advertising operations, policies, procedures, techniques, systems, employee handbooks or manuals, training materials, operating manuals and documentation, and production manuals and documentation, in each case, in any form or medium, but in each case excluding personnel files and Seller Combined Tax Returns and (b) Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations).

"Registered IP" has the meaning set forth in Section 4.13(a).

"Registered Business IP" has the meaning set forth in Section 4.13(a).

"Registered Purchaser IP" has the meaning set forth in Section 5.14(a).

"Registration Information" means copies of the Product Registrations and Manufacturing Registrations and any existing files Related to the Product Registrations and Manufacturing Registrations in the possession of the relevant Seller.

"Regulatory Action" has the meaning set forth in Section 6.3(c)(iv).

"Related to the Business" or "Relating to the Business" means primarily relating to, primarily held for use with, or primarily used in connection with the Business.

"Related to the Purchaser Business" or "Relating to the Purchaser Business" means primarily relating to, primarily held for use with, or primarily used in connection with the Purchaser Business.

"Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, injecting, depositing, disposing, discharging, dispersal, escaping, dumping, migrating or leaching into the environment, including ambient air, indoor air, sediments, drinking water, water, surface or subsurface strata or groundwater, including the movement of Hazardous Materials through or in the indoor or outdoor air, soil, surface water, groundwater or property.

"Remedial Action" means any action required by a Governmental Authority or Governmental Order or pursuant to Environmental Law to clean up or remediate soil, sediments, air, building materials, drinking water, surface water, groundwater or other environmental media in response to a Release or presence of Hazardous Materials, including any associated action taken to investigate, monitor, assess and evaluate the extent and severity of any such Release, action taken to remediate any such Release, post-remediation monitoring of any such Release, and preparation of all reports, studies, analyses or other documents relating to the foregoing. "Remedial Action" also refers to any Action relating to any of the above, including the negotiation and execution of judicial or administrative consent decrees, or defending claims brought by any Governmental Authority or any other Person, whether such claims are equitable or legal in nature, relating to the relevant cleanup or remediation in response to the relevant Release or presence of Hazardous Materials and associated actions.

"Remediation Completion Date" means the date that (a) the Governmental Authority with jurisdiction over a Remedial Action issues a written notice indicating that no further action, other than operation and maintenance of institutional or engineering controls is required, or (b) if, after requesting in writing such a notice from such a Governmental Authority, despite the Party responsible for such a Remedial Action having reasonably completed the requirements to obtain such a written notice, no such written notice is issued within 90 days after such Governmental Authority's receipt of such request or any longer time period granted to such Governmental Authority under the relevant Environmental Law, then the Remediation Completion Date shall mean the date that an engineering firm mutually selected by the Parties and consistently ranked on the list of the Top 200 Environmental Firms published by the Engineering News-Record, and employing an Environmental Professional as defined in 40 CFR Part 312.10 and ASTM E1527-13, concurs that no further action, other than operation and maintenance of institutional or engineering controls, is required.

"Replacement Shared Contract" has the meaning set forth in Section 2.2(d).

"Representatives" means, with respect to any Person, such Person's Affiliates and any of such Person's or any of its Affiliates' directors, officers, managers, partners, employees, counsel, financial advisors, accountants, consultants and other advisors, representatives and agents.

"Resolution Period" has the meaning set forth in Section 2.9(c).

"Restated Purchaser Articles of Association" has the meaning set forth in Section 3.2.

"Restricted Market" means, as applicable under Global Trade Control Laws, the Crimean Peninsula, Cuba, the Donbass Region, Iran, North Korea, Sudan, and Syria.

"Restricted Party" means any individual(s) or entity(ies) on any of the following lists (such lists, the "Restricted Party Lists"): the list of sanctioned entities maintained by the United Nations; the Specially Designated Nationals List and the Sectoral Sanctions Identifications List, as administered by the U.S. Department of the Treasury Office of Foreign Assets Control; the U.S. Denied Persons List, the U.S. Entity List, and the U.S. Unverified List, all administered by the U.S. Department of Commerce; the entities subject to restrictive measures and the Consolidated List of

Persons, Groups and Entities Subject to E.U. Financial Sanctions, as implemented by the E.U. Common Foreign & Security Policy; the List of Excluded Individuals / Entities, as published by the U.S. Health and Human Services – Office of Inspector General; any lists of prohibited or debarred parties established under the U.S. Federal Food Drug and Cosmetic Act; the list of persons and entities suspended or debarred from contracting with the U.S. government; and similar lists of restricted parties maintained by a Governmental Authority of any other jurisdiction in which the Business or the Purchaser Business, as applicable, markets, commercializes, distributes and sells products as of the date of this Agreement or as of the Closing Date.

"Restricted Party Lists" has the meaning set forth in the definition of "Restricted Party."

"Retained Brands" has the meaning set forth in Section 6.15(a).

"Retained Businesses" mean all businesses of Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and any of their Subsidiaries) other than the Business, including the worldwide business of researching, developing, manufacturing, marketing, commercializing, distributing and selling (a) any products not included in the definition of "Business", (b) each of the products set forth on Annex D (the "PCH Split Products"), (c) without limiting the foregoing clauses (a) and (b), any pharmaceutical products or pharmaceutical products that have become or may in the future become, in whole or in part, over-the-counter products (other than the products included in the definition of "Business") and (d) any products set forth on Annex F.

"Retained Environmental Liabilities" has the meaning set forth in Section 2.5(b).

"Retained Facilities" means the manufacturing, office, research and development, and warehouse facilities owned, leased or operated by Seller Parent or any of its Affiliates, other than the Facilities.

"Retained Facilities Environmental Liabilities" has the meaning set forth in Section 2.5(b).

"Retained Liabilities" has the meaning set forth in Section 2.5.

"Retained Names" means (a) the Pfizer trademark, name and brand, (b) the Wyeth trademark, name and brand, (c) all Trademarks owned or used by Seller Parent or any of its Affiliates other than the Business Trademark Rights, and (d) all Trademarks containing, comprising, or related to any of the foregoing, including (i) all Trademarks that are variations or derivatives thereof or confusingly similar thereto, and (ii) all Internet Identifiers and telephone numbers or other alphanumeric addresses or mnemonics containing any of the foregoing. Notwithstanding anything in this Agreement to the contrary, Retained Names expressly includes those Trademarks set forth in Section 1.1(E) of the Seller Disclosure Letter.

"Retained Real Property" shall mean all real property owned, leased or used by Seller Parent or any of its Affiliates, other than the Owned Real Property and the Leased Real Property.

"Retained Subsidiaries" means any Subsidiary of Seller Parent, other than the Conveyed Subsidiaries and their Subsidiaries.

"Review Period" has the meaning set forth in Section 2.9(b).

"Safety Data Exchange Agreement" has the meaning set forth in Section 6.14(a).

"Sale" has the meaning set forth in Section 2.6.

"Sample Closing Statement" means the calculation set forth on Annex B-2, in a manner consistent with the Accounting Principles, for illustrative purposes only, of the Business Working Capital and the Business Net Cash, in each case, as of December 31, 2017, including the line items to be included as assets and liabilities in the calculation of the Business Working Capital.

"Sample Purchaser Closing Statement" means the calculation set forth on Annex B-4, in a manner consistent with the Purchaser Accounting Principles, for illustrative purposes only, of the Purchaser Working Capital and the Purchaser Net Cash, in each case, as of December 31, 2017, including the line items to be included as assets and liabilities in the calculation of the Purchaser Working Capital.

"Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Seller Account" means the bank account or accounts specified by Seller Parent in writing to the other Parties at least two (2) Business Days before the Closing Date.

"Seller Accrued Income Taxes" means an amount (not less than zero) equal to the aggregate current Income Tax liabilities of the Conveyed Subsidiaries and their Subsidiaries (which shall not be less than zero in any jurisdiction) for all taxable periods (or portions thereof) ending on or before the Closing Date for which final Tax Returns have not been filed. The calculation of Seller Accrued Income Taxes shall (i) exclude any deferred Tax liabilities or deferred Tax assets and any amounts in respect of speculative or contingent liabilities for Tax, (ii) include estimated (or other prepaid) Income Tax payments only to the extent that such payments have the effect of reducing (not below zero) the particular current Income Tax liability in respect of which such payments were made, (iii) include Income Tax deductions or Tax refunds (including for overpayments of estimated Taxes), in each case, only to the extent such deductions or Tax refunds have the effect of reducing (not below zero) a particular current Income Tax liability to which they are relevant, (iv) be prepared in accordance with the past practice (including reporting positions and accounting methods) of the applicable Conveyed Subsidiary or its applicable Subsidiary in preparing Tax Returns for Income Taxes and (v) in the case of a Straddle Period, be determined in accordance with Section 6.5(d)(iii).

"Seller Cash Incentive Plan" has the meaning set forth in Section 6.6(c)(v).

"Seller Closing Bonus" has the meaning set forth in Section 6.6(c)(v).

"Seller Combined Tax Returns" has the meaning set forth in Section 6.5(a)(i).

"Seller Current Representation" has the meaning set forth in Section 10.17(a).

"Seller DC Plans (non-U.S.)" has the meaning set forth in Section 6.6(g)(i).

"Seller DC Plans (U.S.)" has the meaning set forth in Section 6.6(f)(i).

"Seller Designated Person" has the meaning set forth in Section 10.17(a).

"Seller Disclosure Letter" means the disclosure letter that Seller Parent has delivered to Purchaser as of the date of this Agreement.

"Seller Facilities" has the meaning set forth in Section 4.14(d).

"Seller FSA Plan" has the meaning set forth in Section 6.6(i).

"Seller Group Plan" means any employee benefit plan as defined in Section 3(3) of ERISA and any other material written fringe benefit, incentive, bonus, employment, retention, change in control, termination or severance plan, program, fund, agreement or arrangement, whether or not subject to ERISA, maintained (or contributed to or required to be contributed to) by any Seller or any Conveyed Subsidiary (or Subsidiary thereof), or any of their respective Affiliates, in which any Business Employee (U.S.) or Former Business Employee (U.S.) participates or is a party.

"Seller Indemnifiable Tax Return" has the meaning set forth in Section 6.5(a)(ii).

"Seller Indemnified Taxes" has the meaning set forth in Section 6.5(d)(i).

"Seller Internal Restructurings" has the meaning set forth in Section 6.5(f)(i).

"Seller LTD Plan" has the meaning set forth in Section 6.6(b)(iv).

"Seller Parent" has the meaning set forth in the preamble of this Agreement.

"Seller Parent Equity Awards" has the meaning set forth in Section 6.6(c)(vi).

"Seller Parent Final Plan" has the meaning set forth in Section 6.5(f)(iii).

"Seller Parent Guarantees" means all obligations of Seller Parent or any of the Retained Subsidiaries under any Contract, instrument or other commitment, obligation or arrangement (other than Seller Parent LCs) or other obligation in existence as of the Closing Date to the extent related to the Business for which Seller Parent or any of the Retained Subsidiaries is or may be liable, as guarantor, indemnitor, original tenant, primary obligor, Person required to provide financial support or collateral in any form whatsoever, or otherwise (including by reason of performance guarantees).

"Seller Parent Indemnified Parties" has the meaning set forth in Section 7.1(b).

"Seller Parent LCs" means all letters of credit issued by or for the account of Seller Parent or the Retained Subsidiaries on behalf of or in favor of any Conveyed Subsidiary, any of their Subsidiaries or the Business, and all obligations (including reimbursement obligations) of Seller Parent or the Retained Subsidiaries in respect of the foregoing.

"Seller Parent Related Party Contract" means any Contract between a Conveyed Subsidiary or any of their Subsidiaries, on the one hand, and Seller Parent or its Subsidiaries (other than the Conveyed Subsidiaries or any of their Subsidiaries), on the other hand.

"Seller Pension Plans" has the meaning set forth in Section 6.6(e)(i).

"Seller Privileged Communications" has the meaning set forth in Section 10.17(c).

"Seller Retained Plan" means each Seller Group Plan and Foreign Seller Group Plan that is not a Conveyed Subsidiary Plan.

"Seller Retained Severance Liabilities" has the meaning set forth in Section 6.6(c)(ii).

"Seller Retention Awards" has the meaning set forth in Section 6.6(j).

"Seller Retiree Medical Plans" has the meaning set forth in Section 6.6(h).

"Seller Tax Act" has the meaning set forth in Section 6.5(d)(ii).

"Seller Transaction Expenses" means any outside counsel, investment banking, accounting, financial advisory and other advisory costs, fees and expenses incurred by Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and any of their Subsidiaries) at or prior to the Closing specifically in connection with the Strategic Process conducted by Seller Parent or the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, including the Seller Internal Restructurings, other than costs, fees and expenses for which Purchaser or its Affiliates expressly has responsibility (including pursuant to payment, reimbursement, indemnification or other similar obligations set forth herein) pursuant to the terms of this Agreement.

"Sellers" means (i) Seller Parent and (ii) all of the Subsidiaries of Seller Parent that, as of immediately prior to the Closing, own any Purchased Assets.

"Shared Contract" means any Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement entered into prior to the date hereof (or entered into prior to the Closing in accordance with this Agreement) that is between Seller Parent or any of its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries), on the one hand, and one or more third parties, on the other hand, that inures to the benefit or burden of both the Business and any Retained Business, other than any enterprise-wide Contracts, Contracts with respect to Off-the-Shelf Software, Seller Group Plans, Foreign Seller Group Plans, Collective Bargaining Agreements and any agreement or grant with any Taxing Authority; provided that any such Contract that provides only *de minimis* assets or services to the Business or the Retained Businesses, as the case may be, shall not be deemed to be a Shared Contract for purposes hereof.

"Shared Contractual Liabilities" means Liabilities in respect of Shared Contracts.

"Shares" has the meaning set forth in Section 2.1(a).

"Software" means (a) computer programs, including software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons and (c) documentation, user manuals, and training manuals documenting the functionality or use of any of the foregoing.

"Specified Records" has the meaning set forth in Section 2.1(j).

"Straddle Period" has the meaning set forth in Section 6.5(a)(ii).

"Straddle Period Tax Returns" has the meaning set forth in Section 6.5(a)(ii).

"Strategic Process" means all matters, whether occurring before or after the date of this Agreement, relating to the review of strategic alternatives with respect to the Business, including the potential sale or other separation of the Business, and all activities in connection therewith, including matters relating to (a) the solicitation of proposals from and negotiations with third parties in connection with the potential sale of the Business or (b) the drafting, negotiation or interpretation of any of the provisions of this Agreement or the Ancillary Agreements, or the determination of the allocation of any assets or Liabilities pursuant to the foregoing agreements or the transactions contemplated thereby.

"Subsequent Loss" has the meaning set forth in Section 6.5(b).

"Subsidiary" means an entity as to which Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be, owns as of the date of determination, directly or indirectly, more than fifty percent (50%) of the voting power or other similar interests. Any Person which comes within this definition as of the date of this Agreement but thereafter fails to meet such definition shall from and after such time not be deemed to be a Subsidiary of Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be. Similarly, any Person which does not come within such definition as of the date of this Agreement but which thereafter meets such definition shall from and after such time be deemed to be a Subsidiary of Seller Parent, Purchaser Parent or Purchaser or any other relevant entity, as the case may be.

"Target Business Net Cash" means [***].

"Target Business Working Capital" means [***].

"Target Purchaser Net Cash" means [***].

"Target Purchaser Working Capital" means [***].

Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the SEC.

"Tax Asset" means any Tax Item that could reduce a Tax otherwise payable, including a net operating loss, net capital loss, general business credit, foreign Tax credit, investment credit, research or experimentation credit, charitable deduction or credit related to alternative minimum Tax or other Tax credit.

"Tax Benefit" means the Tax effect of any Tax Item that decreases Taxes paid or payable, including any interest with respect thereto or interest that would have been payable but for such item. For purposes of determining the amount and timing of any Tax Benefit, the recipient of the Tax Benefit shall be deemed to realize or utilize any Tax Benefit as and when such recipient actually receives such Tax Benefit in the form of a reduction in the amount of Taxes that would otherwise be payable, including as a credit against estimated Taxes, or actually receives such Tax Benefit in the form of a cash refund, with the amount of such Tax Benefit being determined on a "with and without" basis taking the Tax Item into account by treating it as the last item available in computing taxable income and as having been used after any other Tax attribute, and such Tax Benefit shall be determined net of any Tax detriments (including reduction of Tax basis of any asset) attributable to any Loss generating the Tax Item giving rise to such Tax Benefit.

"Tax Claim" has the meaning set forth in Section 6.5(e)(i).

"Tax Item" means any item of income, gain, loss, deduction, credit, recapture of credit or any other item that increases or decreases Taxes paid or payable, including an adjustment under Section 481 of the Code (or any similar provision of state, local or foreign Law) resulting from a change in accounting method.

"Tax Proceeding" means any audit, inquiry, examination, contest, litigation or other Action by, with, or against any Taxing Authority.

"Tax Return" means any return, report, declaration, information return, statement or other document filed or required to be filed with any Taxing Authority (including any schedule or attachment thereto and any amendment thereof), in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Taxes" means all taxes, charges, duties, imposts, fees, levies and other assessments of any kind whatsoever, whether or not disputed, including income, alternative or add-on minimum, gross receipts, estimated, capital stock, excise, real or personal property, sales or use, value added, goods and services, registration, windfall, profits, excess profits, documentary, *ad valorem*, intangibles, license, withholding (with respect to compensation or otherwise), payroll, employment, workers' compensation, unemployment compensation, premium, occupancy, disability, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Governmental Authority, and including any interest, penalties and additions attributable thereto.

"Taxing Authority" means any Governmental Authority responsible for the imposition, regulation, collection or administration of any Taxes.

"Termination Expenses" has the meaning set forth in Section 6.6(c)(ii).

"Third Party Claim" has the meaning set forth in Section 7.3(a).

"Trademarks" has the meaning set forth in the definition of "Intellectual Property."

"Transfer of Undertakings Laws" means (a) the Council of the European Union Directive 2001/23/EC of March 21, 2001 on the approximation of the Laws of the member states of the European Union relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses and/or local implementing legislation both as amended from time to time or (b) any similar or equivalent Laws applicable in jurisdictions outside of the European Union providing for an automatic transfer of employment or employer substation.

"Transfer Taxes" means any federal, state, county, local, foreign and other sales, bulk sales, use, transfer, real property transfer, excise, license, privilege, gross receipts, conveyance, documentary transfer, stamp, land, customs, recording, registration or other similar Tax (including any notarial fee), but excluding any VAT, imposed in connection with, or otherwise relating to, the transactions contemplated by this Agreement or the recording of any sale, transfer, conveyance or assignment of property (or any interest therein) effected pursuant to or contemplated by this Agreement.

"Transferred Employee (non-U.S.)" has the meaning set forth in Section 6.6(b)(v).

"Transferred Employee (U.S.)" has the meaning set forth in Section 6.6(b)(v).

"Transferred Employees" has the meaning set forth in Section 6.6(b)(v).

"Transferred FSA Balances" has the meaning set forth in Section 6.6(i).

"Transferred Pension Plan Employees" has the meaning set forth in Section 6.6(e)(i).

"Transition Plan" has the meaning set forth in Section 6.4(c).

"Transition Services Agreement" has the meaning set forth in Section 6.14(a).

"Transition Team" has the meaning set forth in Section 6.4(b).

"Transitional Trademark License Agreement" has the meaning set forth in Section 6.14(a).

"Treasury Regulations" means the United States Treasury regulations promulgated under the Code.

"TUL Employee" has the meaning set forth in Section 6.6(b)(ii).

"UKLA" means the United Kingdom Listing Authority.

"United States" means the United States of America, including its territories and possessions.

"VAT" means goods and services Tax, value added Tax and other similar transactional indirect Taxes (but excluding transfer Tax, stamp duty and other similar Taxes).

"WARN" means the Worker Adjustment and Retraining Notification Act of 1988, as amended or any similar Law.

Section 1.2 Interpretation. The words "hereof," "herein," "hereto" and "hereunder" and words of similar import refer to this Agreement as a whole, including all Annexes, Exhibits and Schedules, and not to any particular provision of this Agreement and the words "date hereof" refer to the date of this Agreement. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. The terms "dollars" and "$" mean U.S. dollars. Wherever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. When a reference is made in this Agreement to an Article, a Section, an Annex, an Exhibit or a Schedule, such reference shall be to an Article or a Section of, or an Annex, an Exhibit or a Schedule to, this Agreement unless otherwise indicated. Any Law defined or referred to in this Agreement or in any agreement or instrument that is referred to herein means such Law as from time to time amended, modified or supplemented, including (in the case of statutes) by succession of comparable successor Laws and the related regulations thereunder and published interpretations thereof; provided that, for purposes of any representations and warranties contained in this Agreement that are made as of a specific date or dates, references to any Law shall be deemed to refer to such Law, as amended, and the related regulations thereunder and published interpretations thereof, in each case, as of such date. Any reference to "writing" or comparable expressions includes a reference to facsimile transmission, e-mail or comparable means of communication. Where used with respect to information, the phrases "delivered" or "made available" means that the information referred to has been physically or electronically delivered to the relevant parties or their respective Representatives, including material that has been posted in the "data room" (virtual or otherwise) established by a Party two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be delivered or made available under this Agreement prior to the Closing Date). The term "disclosed," when used in reference to information disclosed to Purchaser Parent or Purchaser, shall be understood to include (but not be limited to) all disclosures contained in the Seller Disclosure Letter and all written information as shared over e-mail or otherwise included in Seller Parent's virtual data room made available to Purchaser Parent or its Affiliates or Representatives (including in any confidential information memorandum) two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be disclosed under this Agreement prior to the Closing Date), and when used in reference to information disclosed to Seller Parent, shall be understood to include (but not be limited to) all disclosures contained in the Purchaser Parent Disclosure Letter and all written information as shared over e-mail or otherwise included in Purchaser Parent's virtual data room made available to Seller Parent or its Affiliates or Representatives (including in any confidential information memorandum) two (2) Business Days prior to the date hereof (or the Closing Date, but only in the case of information required to be

disclosed under this Agreement prior to the Closing Date). Reference to "day" or "days" are to calendar days. When calculating the period of time before which, within which or following which any act is to be done or step taken (or not taken) pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, except that if the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day. Amounts used in any calculations for purposes of this Agreement, the Ancillary Agreements or any other document delivered in connection herewith may be either positive or negative, it being understood that the addition of a negative number shall mean the subtraction of the absolute value of such negative number and the subtraction of a negative number shall mean the addition of the absolute value of such negative number.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Purchased Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller Parent shall, and shall cause the other Sellers to, sell, convey, assign and transfer to Purchaser or the applicable Purchaser Designated Affiliates, and Purchaser shall or shall cause the applicable Purchaser Designated Affiliates to purchase, acquire and accept, all of Seller Parent's and its Subsidiaries' right, title and interest, free and clear of all Liens other than Permitted Liens, as at the Closing in the following (collectively, the "Purchased Assets"):

(a) the equity interests in the Conveyed Subsidiaries (collectively, the "Shares");

(b) the real property that is set forth in Section 2.1(b) of the Seller Disclosure Letter (collectively, the "Owned Real Property") and the Facilities (including the related improvements and fixtures), and all easements and other rights and interests appurtenant thereto;

(c) the real property leases, subleases, licenses and occupancy arrangements that are set forth in Section 2.1(c) of the Seller Disclosure Letter (collectively, the "Real Property Leases" and the real property related to such Real Property Leases, the "Leased Real Property"), including the right to all security deposits and other amounts and instruments deposited by or on behalf of the Sellers thereunder;

(d) (i) other than Information Systems (which are the subject of clauses (ii) and (iii)), the owned and leased furniture, equipment, fixtures, machinery, supplies, spare parts, tools, tangible personal property and other tangible property (A) that is Related to the Business and located at a Facility, except as set forth on Section 2.3(a)(xx) of the Seller Disclosure Letter, or (B) set forth on Section 2.1(d)(i)(B) of the Seller Disclosure Letter, (ii) personal computers and vehicles primarily used by the Transferred Employees in respect of the Business (the assets described in the foregoing clauses (i) and (ii), collectively, the "Equipment"), (iii) Business IT Systems, and (iv) any leases relating to such Equipment or Business IT Systems (the "Equipment Leases");

(e) Contracts, sales orders, purchase orders, instruments and other commitments, obligations and arrangements (i) to which Seller Parent or any of its Subsidiaries is a party and that are related solely to the Business, a Purchased Asset or an Assumed Liability, or (ii) that constitute a Shared Contract, but only the portion of such Shared Contract related to the Business (collectively, the "Assumed Contracts");

(f) all Inventory and samples of any Product;

(g) all Business IP, including the right to sue and recover and retain damages for past, present and future infringement or misappropriation of or other violation of any Business IP and all corresponding rights that, now or hereafter, may be secured throughout the world with respect to any Business IP, but for clarity excluding all Retained Names;

(h) all Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations) Related to the Business;

(i) all Governmental Authorizations, including Product Registrations, Manufacturing Registrations and Environmental Permits, that are owned, used or licensed (subject to the terms of such licenses) and Related to the Business;

(j) without duplication, (A) all Records Relating to the Business (including any applicable attorney-client privilege, attorney work product protection and expectation of client privilege attaching to any such Record), other than the Records set forth on Section 2.1(j) of the Seller Disclosure Letter (the "Specified Records"); provided that the Sellers and their Affiliates may retain one (1) copy of each of the foregoing pursuant to Section 6.8 and remove or redact the names of any customers or vendors from such lists to the extent such customers or vendors relate solely to the Retained Businesses, (B) copies of (x) the portions of all Records that relate to, but do not primarily relate to, the Business and (y) the Specified Records, and (C) the corporate books and records (including Tax Returns other than any Seller Combined Tax Returns) of the Conveyed Subsidiaries and their Subsidiaries to the extent related to the Business; provided, further, that in each case of clauses (A)-(C), Seller Parent may redact or remove any information not related to the Business;

(k) all accounts receivable and all other assets, in each case included in the calculation of Final Business Working Capital, and all Cash Equivalents included in the calculation of Final Business Net Cash;

(l) the goodwill Relating to the Business, together with the right to represent to third parties that Purchaser is the successor to the Business;

(m) all claims, defenses, causes of action, counterclaims and rights of set-off against third parties (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) relating primarily to the Business, a Purchased Asset or an Assumed Liability;

(n) all credits, prepaid expenses, rebates, deferred charges, advance payments, security deposits and other deposits or amounts held as surety by third Persons and prepaid items, in each case Related to the Business or primarily related to a Purchased Asset or an Assumed Liability and included in the calculation of Final Business Working Capital or Final Business Net Cash;

(o) the amount of any insurance proceeds, recoveries or refunds (net of any reasonable costs of investigating and pursuing the underlying claim and of collection and any Taxes imposed in respect thereof) received by Seller Parent or any of its Affiliates under the Insurance Policies after the date hereof in respect of any Loss prior to the Closing in respect of any Purchased Asset or Assumed Liability to the extent Purchaser does not otherwise receive the benefit thereof (including through application of such proceeds) and except to the extent the related Liabilities are included in the calculation of Final Business Working Capital or Final Business Net Cash;

(p) the assets of all Conveyed Subsidiary Plans and the assets transferred to Purchaser and the Purchaser Designated Affiliates pursuant to Section 6.6;

(q) the assets set forth in Section 2.1(q) of the Seller Disclosure Letter;

(r) to the extent legally transferable, all third-party warranties, indemnities, further assurance and other similar covenants, and guarantees to the extent relating to any of the Equipment, Inventory, other Purchased Assets and Assumed Liabilities; and

(s) any other assets, properties or rights in each case Relating to the Business, other than those assets specifically identified as Excluded Assets in clauses (i) through (xx) of Section 2.3(a).

Notwithstanding anything else herein to the contrary, (i) any assets, properties or rights of any Conveyed Subsidiary (or Subsidiary thereof) that constitute Purchased Assets hereunder shall be deemed Purchased Assets for all purposes of this Agreement (including Article VII), except to the extent any such asset, property or right otherwise would be an Excluded Asset had it not been an asset, property or right of such Conveyed Subsidiary or Subsidiary (and instead an asset, right, or property of Seller Parent or any of its Affiliates (other than a Conveyed Subsidiary (or a Subsidiary thereof))) (a "Conveyed Subsidiary Excluded Asset"), (ii) any Conveyed Subsidiary Excluded Asset shall be deemed an Excluded Asset for all purposes of this Agreement (including Article VII) and Seller Parent shall use commercially reasonable efforts to transfer such Conveyed Subsidiary Excluded Asset, subject to obtaining required consents and Approvals, out of the relevant Conveyed Subsidiary (or Subsidiary thereof) on or prior to the Closing, or thereafter in accordance with Section 6.22, and (iii) any Liability of any Conveyed Subsidiary (or Subsidiary thereof) that otherwise would be a Retained Liability had it not been a Liability of such Conveyed Subsidiary or Subsidiary (and instead a Liability of Seller Parent or any of its Affiliates (other than a Conveyed Subsidiary (or a Subsidiary thereof))) shall be deemed a Retained Liability for all purposes of this Agreement (including Article VII) and Seller Parent shall use commercially reasonable efforts to transfer such Retained Liability, subject to obtaining required consents and Approvals, out of such Conveyed Subsidiary (or Subsidiary thereof) on or prior to the Closing, or thereafter in compliance with Section 6.22. The transfer of assets, properties and rights of any Conveyed Subsidiaries (or any Subsidiary thereof) deemed a Purchased Asset shall be effected solely by virtue of the transfer of the Sellers' right, title and interest in the Shares and not through the direct transfer of such assets, properties or rights, and Seller Parent and its Subsidiaries shall not be required to transfer any such assets, properties or rights of the Conveyed Subsidiaries and their Subsidiaries other than through the transfer of the Sellers' right, title and interest in the Shares.

Section 2.2 Consents; Shared Contracts.

(a) Notwithstanding any other provision of this Agreement, neither this Agreement nor any Ancillary Agreement shall constitute an agreement to, directly or indirectly, sell, convey, assign, transfer or deliver any interest in any Purchased Asset (other than the Shares) or any right or benefit arising thereunder or resulting therefrom if such sale, conveyance, assignment, transfer or delivery, or the purchase or assumption thereof by Purchaser or the applicable Purchaser Designated Affiliates, without the consent or Approval of any Person(s) (including consents or Approvals of any Governmental Authorities), or otherwise, (i) would constitute a breach or other contravention of the rights of such Person(s), (ii) would be ineffective under, or contravene, applicable Law or (iii) would result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers or any of their Affiliates, or upon transfer, Purchaser or the applicable Purchaser Designated Affiliates; provided, however, that the Parties shall treat Purchaser or the applicable Purchaser Designated Affiliate, as the case may be, as the owner of any such Purchased Asset (and of (x) any portion of any Shared Contract that relates to and is allocated to the Business and the benefits and burdens of which are to be transferred to Purchaser or a Purchaser Designated Affiliate, as the case may be, pursuant to Section 2.2(d) and (y) any Delayed Business) to the fullest extent permitted by applicable Law for all purposes as of the Closing Date. Without limiting the foregoing, if any direct or indirect sale, conveyance, assignment, transfer or delivery, or any agreement to do the same, by the Sellers of, or any direct or indirect purchase or assumption by Purchaser or any Purchaser Designated Affiliate of, any interest in any Purchased Asset or any right or benefit arising thereunder or resulting therefrom, requires the consent or Approval of any Person(s) (including consents or Approvals of any Governmental Authorities), then such sale, conveyance, assignment, transfer, delivery, agreement, purchase or assumption shall be made subject to (and shall only be effective upon) such consent or Approval being obtained and the remainder of this Section.

(b) Each of Seller Parent, Purchaser Parent and Purchaser shall, and shall cause its Affiliates to, use their reasonable best efforts to obtain all consents or Approvals referred to in Section 2.2(a) (other than from Governmental Authorities under applicable Law, which are the subject of Section 6.3 and Section 6.4, and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24), including by executing, acknowledging and delivering such assignments, transfers, consents, assumptions, and other agreements, documents and instruments and taking such other actions as may reasonably be requested by the other Party in order to carry out the intent of this Agreement and any Ancillary Agreements and in order to convey and transfer to, and vest in, Purchaser and the applicable Purchaser Designated Affiliates, the Sellers' right, title and interest in the Purchased Assets and to effectuate the assumption by Purchaser of the Assumed Liabilities, as contemplated by this Agreement, the Local Implementing Agreements and the transactions contemplated hereby and thereby; provided that except as otherwise expressly provided by this Agreement or any Ancillary Agreement, none of Seller Parent, Purchaser Parent or Purchaser or any of their respective Affiliates shall be required to expend any money or

commence any litigation, or offer or grant any accommodation (financial or otherwise) to obtain any such consent or Approval. Purchaser Parent and Purchaser agree to provide such reasonable security and assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any Person(s) whose consent or Approval is sought in connection with the transactions contemplated hereby. If any consent or Approval referred to in Section 2.2(a) is not obtained prior to the Closing, subject to Article VIII, the Closing shall nonetheless take place, and (i) for a period of up to twenty-four (24) months following the Closing Date or until such earlier time as such consent or Approval is obtained, in the case of consents or Approvals other than those required from Governmental Authorities under applicable Law, and (ii) until (A) the earliest to occur of (x) thirty-six (36) months following the Closing Date, (y) the completion of a Listing Transaction (as defined in the Purchaser Shareholders Agreement) or (z) such time as such consent or Approval is obtained, in the case of consents or Approvals from Governmental Authorities under applicable Law other than Antitrust Laws or (B) the Delayed Business Cut-Off Date, in the case of any Delayed Business subject to a Delayed Antitrust Approval, Seller Parent shall use reasonable best efforts to continue to perform its obligations under and comply with the terms of any Purchased Asset, as applicable, upon the direction of Purchaser, in all material respects in the ordinary course of business, and the Parties shall (and shall cause their Affiliates to) use reasonable best efforts to, at no cost to the Sellers or their Affiliates, (x) in the case of consents or Approvals other than those required from Governmental Authorities under applicable Law (which are the subject of Section 6.3 and Section 6.4), obtain such consents or Approvals, subject to and in accordance with the first sentence of this Section 2.2(b) and (y) obtain or structure an arrangement for Purchaser or such Purchaser Designated Affiliates to receive (or for the Sellers and their Affiliates to enforce for the benefit of Purchaser or such Purchaser Designated Affiliates), whether by license, sub-license, sub-assignment, or by other means, the economic and operational claims, rights and benefits of ownership of such Purchased Assets (including any Delayed Business), including the net profits from the operation or subsequent sale of such Purchased Assets (including any Delayed Business), and including the right to manage and control such Purchased Assets and direct the exercise of voting rights associated with any Purchased Assets that are Shares or, if such arrangement is not made, to agree to such other good faith equitable result; provided that the Sellers and their Affiliates shall not be required to take any action that would, in the good-faith reasonable judgment of the Sellers, constitute a breach or other contravention of the rights of any Person(s), be ineffective under, or contravene, applicable Law (but only to the extent enforceable against Seller Parent or any of its Affiliates) or result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers or any of their Affiliates. To the extent Seller Parent is not permitted under applicable Law to obtain or structure an arrangement for Purchaser or such Purchaser Designated Affiliates to receive (or for the Sellers and their Affiliates to enforce for the benefit of Purchaser or such Purchaser Designated Affiliates) the economic and operational claims, rights and benefits of ownership of such Purchased Assets (including any Delayed Business), Seller Parent shall use reasonable best efforts to segregate any net profits associated with the ownership of such Purchased Assets (including any Delayed Business) in an account for Purchaser's benefit, such funds to be released as promptly as practicable once permitted under applicable Law. Purchaser shall indemnify and hold harmless the Sellers and the Seller Parent Indemnified Parties for and against all burdens (including losses from the operation or subsequent sale of such Purchased Assets (including any Delayed Business)) and Liabilities arising out of or relating to each such arrangement

or the ownership of the underlying Purchased Asset (including any Delayed Business), and any risk of loss or damage to such Purchased Asset (including any Delayed Business), and shall be responsible for all Assumed Liabilities related thereto in accordance with this Agreement (without limiting any express indemnification obligations of Seller Parent set forth in Section 7.1). Without limiting Section 6.3(f), upon obtaining the requisite consents and Approvals following the Closing, any such Purchased Asset shall be transferred and assigned to, and accepted and assumed by, Purchaser and the applicable Purchaser Designated Affiliates hereunder. The obligations of the Parties pursuant to Section 6.3 shall be in addition to this Section 2.2(b), and in the event of any conflict between this Section 2.2(b) and Section 6.3, Section 6.3 shall control. Without limiting Section 2.2(a) or Section 6.3(f)(i), notwithstanding the fact that any applicable consent or Approval referred to in Section 2.2(a) is not obtained prior to the Closing (including any consent or Approval required to transfer an interest in a Purchased Asset to which an Assumed Liability relates), each of the assets, properties and rights described in Section 2.1 shall be deemed to be Purchased Assets under this Agreement and each of the Liabilities described in Section 2.4 shall be deemed to be Assumed Liabilities under this Agreement.

(c) Purchaser Parent and Purchaser acknowledge that certain consents or Approvals of or related to the transactions contemplated by this Agreement may be required from certain Persons (including Governmental Authorities) with respect to the Purchased Assets, and the sale, conveyance, assignment, transfer, delivery, purchase or assumption of any interest therein, and that such consents and Approvals may not be obtained. Notwithstanding anything to the contrary set forth in this Agreement, Purchaser Parent and Purchaser agree that the Sellers and their Affiliates shall not have any Liability whatsoever arising out of or relating to the failure to obtain any consents or Approvals that may have been or may be required in connection with or related to the transactions contemplated by this Agreement or because of any default under, or acceleration or termination of or loss of any benefit under, any Real Property Lease, Equipment Lease, Contract, sales order, purchase order, instrument or other commitment, obligation or arrangement, Product Registration, Manufacturing Registration, Environmental Permit, Governmental Authorization or any claim, right or benefit arising under or from any Purchased Asset, as a result thereof, except in the case of a breach by Seller Parent of its express covenants, agreements, obligations, representations or warranties set forth in this Agreement related thereto. Notwithstanding anything to the contrary set forth in this Agreement, Purchaser Parent and Purchaser expressly acknowledge and agree that (other than the conditions expressly set forth in Sections 8.1(a) and 8.1(b)) in no event shall the receipt of any such consents and Approvals be a condition to the obligations of Purchaser Parent or Purchaser to consummate the Sale and the other transactions contemplated by this Agreement, and Purchaser Parent and Purchaser reaffirm their respective obligations to consummate the Sale and the other transactions contemplated by this Agreement subject only to the express conditions set forth in Sections 8.1 and 8.2, irrespective and independent of whether any such consents or Approvals are obtained.

(d) Except as otherwise agreed by Seller Parent and Purchaser Parent or as otherwise provided in this Agreement or an Ancillary Agreement, and except with respect to any Shared Contracts that relate to services to be provided under the Transition Services Agreement, and without limiting the other provisions of this Section 2.2, to the extent reasonably requested by Purchaser (i) Seller Parent, Purchaser Parent and Purchaser shall, and shall cause their respective

Affiliates to, reasonably cooperate and use their reasonable best efforts (at Purchaser's cost) to obtain the consent and agreement of the third party that is a counterparty to any Shared Contract to enter into a new Contract with Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) or to assign or transfer, to the extent assignable or transferable under the terms of such Shared Contract, to Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) the portion of such Shared Contract (and the rights, benefits, obligations and burdens thereunder) that relates to the Business, pursuant to which Purchaser or the applicable Purchaser Designated Affiliate (or a Conveyed Subsidiary or its Subsidiary) receives the rights and benefits, and bears the obligations and burdens, of such portion of any such Shared Contract that relates to and is allocated to the Business, as reasonably agreed by Seller Parent and Purchaser, in each case effective as of the Closing Date (each, a "Replacement Shared Contract"), unless such Shared Contract relates to a Delayed Business, in which case effective as of the date of transfer of such Delayed Business to Purchaser or the applicable Purchaser Designated Affiliate; provided that the failure to obtain such consent or agreement or such Replacement Shared Contract shall in no event be deemed a breach of this Agreement by Seller Parent or any of its Affiliates, except in the case of a breach by Seller Parent of its express covenants, agreements, obligations, representations or warranties set forth in this Agreement related thereto, and (ii) to the extent such a Replacement Shared Contract is not obtained, until the earlier of twenty-four (24) months following the Closing Date and the expiration or termination date of the applicable Shared Contract (assuming, for these purposes, that the then-current term in effect as of immediately prior to the Closing is not renewed or extended), the Parties shall (and shall cause their Affiliates to) use reasonable best efforts to, at Purchaser's cost, obtain or structure an arrangement for Purchaser or the applicable Purchaser Designated Affiliates to receive the rights and benefits, and bear the obligations and burdens, of such portion of any such Shared Contract that relates to and is allocated to the Business, as reasonably agreed by Seller Parent and Purchaser; provided that in the case of each of clauses (i) and (ii), the Sellers, Purchaser Parent and Purchaser and their respective Affiliates shall not be required to take any action that would, in the good-faith reasonable judgment of the Sellers or Purchaser, constitute a breach or other contravention of the rights of any Person(s), be ineffective under, or contravene, applicable Law or any such Shared Contract or result in the termination, cancellation or acceleration of any material right or obligation of, or result in the loss of any material benefit of, or otherwise adversely affect in any material respect the contractual rights of, the Sellers, Purchaser or any of their respective Affiliates. Purchaser shall indemnify and hold harmless the Sellers and the Seller Parent Indemnified Parties for and against all burdens and Liabilities arising out of any Replacement Shared Contract, each such arrangement referred to in this Section 2.2(d) and the portion of any Shared Contract that is subject to any such arrangement (other than Shared Contractual Liabilities allocated to Seller Parent in accordance with the following sentence). With respect to Shared Contractual Liabilities pursuant to, under or relating to any Shared Contract, such Shared Contractual Liabilities shall be allocated between Seller Parent and Purchaser as follows: (i) if a Liability is incurred solely in respect of the Business or the Retained Businesses, such Liability shall be allocated to Purchaser (in respect of the Business) or Seller Parent (in respect of the Retained Businesses); and (ii) if a Liability cannot be so allocated under clause (i), such Liability shall be allocated to Seller Parent or Purchaser, as the case may be, based on the relative proportion of total benefit received by the Business and the Retained Businesses under the relevant Shared Contract, as reasonably agreed by Seller Parent and Purchaser. Notwithstanding the foregoing, (A) each of Seller Parent and Purchaser shall be responsible for any or all Liabilities arising from its (or its Affiliates') direct or indirect breach of any Shared Contract and (B) Purchaser shall be solely responsible for any or all Liabilities arising out of or relating to any Replacement Shared Contract.

(e) To the extent an asset or liability that comprises the business as reflected in the Financial Statements is not a Purchased Asset or an Assumed Liability, the Parties shall work together in good faith to determine whether, consistent with the terms of this Agreement, and if so how best to, transfer the benefit or detriment of such asset or liability to Purchaser.

Section 2.3 Excluded Assets.

(a) Notwithstanding any provision in this Agreement, Purchaser and the Purchaser Designated Affiliates are not purchasing or acquiring any of Seller Parent's or its Affiliates' (including the Conveyed Subsidiaries' or their Subsidiaries') right, title or interest in any assets, properties or rights other than the Purchased Assets (the "Excluded Assets"), including:

(i) all assets constituting ownership interests in, or that are used or held for use in, the Retained Businesses, other than those assets identified as Purchased Assets in clauses (a) through (s) of Section 2.1;

(ii) all Retained Real Property;

(iii) (A) the Retained Facilities, (A) any owned and leased furniture, equipment, fixtures, machinery, supplies, spare parts, tools, tangible personal property and other tangible property located at the Retained Facilities or not Related to the Business, except as set forth on Section 2.1(d)(i)(B) of the Seller Disclosure Letter, and any personal computers and vehicles that are not primarily used by the Transferred Employees in respect of the Business, (A) the Information Systems of Seller Parent and its Subsidiaries, other than the Business IT Systems and (A) any leases relating to the assets described in the foregoing clauses (B) through (D);

(iv) all legal and beneficial interest in the share capital or equity interest of any Person other than the Conveyed Subsidiaries (and their Subsidiaries), other than those equity interests set forth on Section 2.1(q) of the Seller Disclosure Letter;

(v) all Shared Contracts and all other Contracts, sales orders, purchase orders, instruments and other commitments, obligations and arrangements to which Seller Parent or any of its Affiliates is a party or by which any of its or their properties, assets or rights is subject, in each case other than Assumed Contracts;

(vi) all inventory (including all raw material inventory, work-in-process inventory, spare parts inventory and finished products inventory) other than the Inventory and any samples of Products;

(vii) the Retained Names and all other Intellectual Property that is not Business IP, including such Intellectual Property licensed to Purchaser under an Ancillary Agreement or otherwise, and including as set forth on Section 2.3(a)(vii) of the Seller Disclosure Letter, and including the right to sue and recover and retain damages for past, present and future infringement or misappropriation or any other violation of any such Intellectual Property;

(viii) all Governmental Authorizations, including product registrations, manufacturing registrations and environmental permits, owned, used or licensed by Seller Parent or any of its Affiliates and not Related to the Business;

(ix) all customer and vendor lists, all advertising, marketing, sales and promotional materials, and business and financial records, books, and documents and other Records, in each case not Related to the Business, and the Specified Records;

(x) all accounts receivable and other current assets and all cash and cash equivalents, checks, money orders, marketable securities, short-term instruments, bank and other depositary accounts, certificates of deposit, time deposits, negotiable instruments, securities and brokerage accounts, funds in time and demand deposits or similar accounts of Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries or any of their Subsidiaries) (other than the accounts receivable and other assets, in each case included in the calculation of the Final Business Working Capital, and the Cash Equivalents included in the calculation of Final Business Net Cash);

(xi) all Tax refunds, Tax credits or other Tax Assets of the Sellers and any refund or credit against Seller Indemnified Taxes to which Seller Parent is entitled pursuant to Section 6.5(c), whether or not derived from the Business and whether or not existing prior to the Closing, but excluding any refunds or credits or other Tax Assets to the extent reflected as an asset on the Final Closing Statement and taken into account in the calculation of (a) the Final Business Working Capital or (b) Seller Accrued Income Taxes (to the extent, with respect to clause (b), offsetting a Tax Liability in such calculation);

(xii) all Seller Combined Tax Returns and all Tax Returns of the Sellers or any of their Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) that do not relate solely to Purchased Assets or Assumed Liabilities, and in each case any books and records relating thereto;

(xiii) all claims, defenses, causes of action, counterclaims and rights of set-off against third parties (at any time or in any manner arising or existing, whether choate or inchoate, known or unknown, contingent or non-contingent) other than those identified as Purchased Assets in Section 2.1;

(xiv) all rights of Seller Parent or any of its Affiliates (for clarity, other than, from and after the Closing, the Conveyed Subsidiaries and their Subsidiaries) under this Agreement or the Ancillary Agreements and any documents delivered or received in connection herewith or therewith;

(xv) except as set forth in Section 2.1(o) and subject to Section 6.18, all current and prior insurance policies and all rights of any nature with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries;

(xvi) except as expressly set forth in this Agreement (including Section 2.1(p) and Section 6.6), all assets of any Seller Group Plan or Foreign Seller Group Plan that is not a Conveyed Subsidiary Plan;

(xvii) all corporate-level services (but not the assets related to such services to the extent such assets are Purchased Assets) of the type currently provided to the Business by Seller Parent or any of its Affiliates, and without limiting Seller Parent's obligations under the Transition Services Agreement;

(xviii) all third-party warranties, indemnities, further assurances and similar covenants and guarantees other than those identified as Purchased Assets in Section 2.1;

(xix) all assets, properties and rights of any Person that are not Related to the Business, including all assets, properties and rights constituting ownership interests in, or that are used or held for use in, or related to, the Retained Businesses, in each case other than those assets, properties or rights identified as Purchased Assets in clauses (a) through (s) of Section 2.1; and

(xx) the assets set forth in Section 2.3(a)(xx) of the Seller Disclosure Letter.

(b) Notwithstanding anything in this Agreement to the contrary but subject to Section 6.5(f), prior to the Closing, Seller Parent shall use commercially reasonable efforts to take (or cause one or more of its Affiliates to take) such action as is necessary, advisable or desirable to transfer the Excluded Assets from the Conveyed Subsidiaries and their Subsidiaries (and, if needed, from the Sellers) to Seller Parent or one or more of its Retained Subsidiaries for such consideration or for no consideration, as may be determined by Seller Parent in its sole discretion, but in compliance with all applicable Laws and as would not result in any material adverse impact to the Purchased Assets or the Business. After the Closing Date, the Parties shall continue to use commercially reasonable efforts to take all actions (and shall cause their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to continue to use commercially reasonable efforts to take all actions) reasonably requested by the other Party to effect the provisions of this Section 2.3, including the return of any Excluded Assets for no additional consideration. Any action taken pursuant to this Section 2.3(b) after the Closing Date shall be deemed for purposes of calculating the Business Working Capital and the Business Net Cash pursuant to Section 2.9 to have occurred as of 12:01 a.m. (New York time) on the Closing Date.

Section 2.4 Assumption of Assumed Liabilities. Upon the terms and subject to the conditions of this Agreement, at the Closing, Purchaser shall (i) assume and, subject to Section 2.5, Section 6.5, Section 6.6 and Article VII, pay, perform, satisfy and discharge any and all Liabilities of the Sellers or any of their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), whether arising prior to, on or after the Closing, to the extent resulting from or arising out of the past, present or future ownership, operation, use or conduct of the Business or the Purchased Assets (including the Shares) and (ii) cause the Conveyed Subsidiaries and their Subsidiaries to pay, perform, satisfy and discharge any and all of their respective Liabilities, in each case of the foregoing clauses (i) and (ii), other than Liabilities identified as Retained Liabilities in clauses (a) through (g) of Section 2.5 (all of the foregoing Liabilities being collectively referred to herein as the "Assumed Liabilities"). The Assumed Liabilities shall also include the following:

(a) all Liabilities to the extent expressly assumed by, retained by or agreed to be performed by Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) pursuant to the terms of this Agreement, including all Liabilities to the extent transferred to or assumed or retained by Purchaser or its Subsidiaries pursuant to Section 6.6 and Section 6.13;

(b) all Liabilities in respect of any Action, whether class, individual or otherwise in nature, in law or in equity, whether or not presently threatened, asserted or pending, to the extent arising out of, or to the extent relating to, the Business or the operation or conduct of the Business prior to, on or after the Closing;

(c) all Liabilities for Taxes of the Conveyed Subsidiaries and their Subsidiaries and, without duplication, all other Liabilities for Taxes imposed with respect to, arising out of or relating to the Purchased Assets or the Business, in each case, other than Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement;

(d) all Liabilities to the extent arising out of, or to the extent relating to, the design, manufacture, testing, marketing, distribution, use or sale of Products prior to, on or after the Closing, including warranty obligations and irrespective of the legal theory asserted;

(e) all Liabilities to suppliers and customers, in each case to the extent arising out of, or to the extent relating to, the Business, including in respect of any Products returned prior to, on or after the Closing;

(f) all accounts payable and all other Liabilities, in each case included in the calculation of Final Business Working Capital, all Funded Indebtedness included in the calculation of Final Business Net Cash and all other Indebtedness of the Conveyed Subsidiaries (or their Subsidiaries) that is not Funded Indebtedness;

(g) all Environmental Liabilities of any nature whatsoever to the extent arising out of, or relating to, or in respect of the Conveyed Subsidiaries (or their Subsidiaries), the Purchased Assets, the Business or the Facilities, whether arising prior to, on or after the Closing, other than the Retained Facilities Environmental Liabilities or the Retained Environmental Liabilities;

(h) all Liabilities to the extent relating to, resulting from or arising out of the Assumed Contracts, including Purchaser's or its Affiliates' (including any Conveyed Subsidiary's or its Subsidiaries') portion of Shared Contractual Liabilities pursuant to Section 2.2(d); and

(i) the Liabilities set forth in Section 2.4(i) of the Seller Disclosure Letter.

Section 2.5 Retained Liabilities. Except as otherwise set forth in this Agreement, and subject to Article VII, the Sellers shall retain, and none of Purchaser or any of its Affiliates shall assume or be responsible for pursuant to this Agreement, any Liabilities of Sellers or any of their Affiliates other than the Assumed Liabilities (such Liabilities other than the Assumed Liabilities, the "Retained Liabilities"). The Retained Liabilities shall include:

(a) all Liabilities for which any Seller expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Implementing Agreement, including all Liabilities for which the Sellers have responsibility pursuant to Section 6.6;

(b) all Liabilities of any Seller or Conveyed Subsidiary (or Subsidiaries thereof) to the extent related to or arising out of (i) the Excluded Assets (other than any Liabilities for which Purchaser or its Affiliates expressly has responsibility pursuant to the terms of this Agreement or any Ancillary Agreement, and other than any Liabilities that are separately allocated pursuant to any other agreement or transaction related to such Excluded Assets between Seller Parent or any of its Affiliates, on the one hand, and Purchaser or any of its Affiliates, on the other hand, including any commercial or other agreements unrelated to this Agreement), including Environmental Liabilities, whether arising prior to, on or after the Closing, to the extent arising out of or related to the ownership or occupancy of the Retained Facilities (the "Retained Facilities Environmental Liabilities") or (ii) the matters set forth on Section 2.5(b)(ii) of the Seller Disclosure Letter (the "Retained Environmental Liabilities");

(c) all Seller Indemnified Taxes;

(d) all Seller Transaction Expenses;

(e) Seller Parent's portion of Shared Contractual Liabilities pursuant to Section 2.2(d);

(f) all Indebtedness of Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) that are not Assumed Liabilities under Section 2.4; and

(g) all Liabilities of Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) set forth in Section 2.5(g) of the Seller Disclosure Letter.

Section 2.6 Purchase Consideration. In consideration of the sale and transfer to Purchaser or the applicable Purchaser Designated Affiliates of the applicable Sellers' right, title and interest in the Purchased Assets, including the Shares, in accordance with and subject to the terms of this Agreement (the "Sale"), and the other obligations of Seller Parent pursuant to this Agreement, at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, (a) allot, issue and deliver the Purchase Consideration in accordance with Section 2.7, and (b) assume the Assumed Liabilities.

Section 2.7 Delivery of the Purchase Consideration. At the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, allot and issue to Seller Parent (and/or Seller Parent's designee(s) (which shall be one or more Affiliates of Seller Parent), in such allocations as may be directed by Seller Parent), free and clear of all Liens except for Liens arising under applicable securities Laws, and credited as fully paid, a number of B ordinary shares in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association (the "B Ordinary Shares"), in such number so that, immediately following Closing, (a) the B Ordinary Shares owned by Seller Parent (and/or Seller Parent's designee(s)) will represent 32% of the Ordinary Shares (such B Ordinary Shares, the "Purchase Consideration") and (b) the A ordinary shares in the capital of Purchaser, having the rights and restrictions set out in the Restated Purchaser Articles of Association, owned by a wholly owned Subsidiary of Purchaser Parent (the "A Ordinary Shares") will represent the remaining 68% of the Ordinary Shares, in each case of the foregoing clauses (a) and (b), after giving effect to (and including) the issuance of the B Ordinary Shares, and, together with the Preference Shares, such shares will represent all of the issued share capital of Purchaser.

Section 2.8 Estimated Closing Statement; Estimated Adjustment Payments.

(a) No fewer than seven (7) Business Days before the Closing Date, (a) Seller Parent shall prepare in good faith and deliver to Purchaser Parent the Estimated Closing Statement, which shall include Seller Parent's good faith calculation of the Estimated Business Working Capital, Estimated Business Net Cash and any Estimated Business Excess Adjustment or Estimated Business Deficit Adjustment to be paid at Closing, prepared in a manner consistent with the accounting principles, procedures, policies and methods set forth in Annex B-1 (the "Accounting Principles") and the Sample Closing Statement and (b) Purchaser Parent shall prepare in good faith and deliver to Seller Parent the Purchaser Estimated Closing Statement, which shall include Purchaser Parent's good faith calculation of the Estimated Purchaser Working Capital, Estimated Purchaser Net Cash and any Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment to be paid at Closing, prepared in a manner consistent with the accounting principles, procedures, policies and methods set forth in Annex B-3 (the "Purchaser Accounting Principles") and the Sample Purchaser Closing Statement. The Parties shall have the right to review the Estimated Closing Statement and the Purchaser Parent Estimated Closing Statement and the Parties shall cooperate in good faith in an effort to agree to any required modification based on such review.

(b) If (i) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash exceeds (ii) the amount equal to (A) the Target Business Working Capital *plus* (B) the Target Business Net Cash (the amount of such excess, the "Estimated Business Excess Adjustment"), at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay to Seller Parent (and/or Seller Parent's designee(s), in such allocations as may be directed by Seller Parent) by wire transfer of immediately available funds to the Seller Account, an amount in cash equal to the Estimated Business Excess Adjustment.

(c) If (i) the amount equal to (A) the Target Business Working Capital *plus* (B) the Target Business Net Cash exceeds (ii) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash (the amount of such excess, the "Estimated Business Deficit Adjustment"), at the Closing, Seller Parent shall pay to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the Estimated Business Deficit Adjustment.

(d) If (i) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash exceeds (ii) the amount equal to (A) the Target Purchaser Working Capital *plus* (B) the Target Purchaser Net Cash (the amount of such excess, the "Estimated Purchaser Parent Excess Adjustment"), at the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay to Purchaser Parent (and/or Purchaser Parent's designee(s), in such allocations as may be directed by Purchaser Parent) by wire transfer of immediately available funds to the Purchaser Parent Account, an amount in cash equal to the Estimated Purchaser Parent Excess Adjustment.

(e) If (i) the amount equal to (A) the Target Purchaser Working Capital *plus* (B) the Target Purchaser Net Cash exceeds (ii) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash (the amount of such excess, the "Estimated Purchaser Parent Deficit Adjustment"), at the Closing, Purchaser Parent shall pay to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the Estimated Purchaser Parent Deficit Adjustment.

(f) Any Estimated Business Excess Adjustment, Estimated Business Deficit Adjustment, Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment paid at the Closing shall be subject to the post-Closing adjustment provisions of Section 2.9.

Section 2.9 Post-Closing Working Capital and Net Cash Adjustments.

(a) Within one hundred and twenty (120) days after the Closing Date, Purchaser shall deliver to Seller Parent and Purchaser Parent a statement setting forth Purchaser's calculation of the Business Working Capital, the Business Net Cash, Purchaser Working Capital and Purchaser Net Cash (together with reasonable documentation, back-up and supporting detail for each of the items and calculations in such statement, the "Proposed Closing Statement"). The Proposed Closing Statement shall be unaudited but shall be prepared in a manner consistent with (i) with respect to the calculation of Business Working Capital and Business Net Cash, the Accounting Principles and the Sample Closing Statement and (ii) with respect to the calculation of Purchaser Working Capital and Purchaser Net Cash, the Purchaser Accounting Principles and the Sample Purchaser Closing Statement, including as to line items and the classification of asset and liability line items set forth thereon, and take into account any transfers made pursuant to Section 2.3(b), and to the extent the Proposed Closing Statement reflects amounts that are different from amounts presented on the balance sheet included in the Financial Statements or the Purchaser Financial Statements, as applicable, as of the Balance Sheet Date, such differences shall be based on facts or occurrences arising solely between the Balance Sheet Date and the Closing.

(b) Following the delivery of the Proposed Closing Statement until the date that is ninety (90) days thereafter (the "Review Period"), either or both Parents may, by delivering a written notice to the other Parties, dispute the amounts reflected on the line items of the Proposed Closing Statement (any such disputed amount, a "Disputed Item"). A Parent's written notice of Disputed Items shall identify each Disputed Item and specify the nature of such Parent's disagreement, the amount of each item in dispute and the basis therefor, and the amount that such Parent believes is the correct amount of the Business Working Capital, the Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, as applicable, based on the disagreements set forth in its notice of Disputed Items, including the adjustments applied by such Parent to the Proposed Closing Statement in calculating any such amounts. A Parent shall be deemed to have agreed with all other items and amounts contained in the Proposed Closing Statement not so objected to by it in a notice of Disputed Items within the Review Period in accordance with this Section 2.9(b), and the failure by a Parent to provide a notice of Disputed Items to the other Parties within the Review Period will constitute such Parent's agreement with all of the items in the Proposed Closing Statement, and the Proposed Closing Statement shall be conclusive, final and binding upon the Parties as the Final Closing Statement with respect to the items thereon so agreed by both Parents.

(c) If a notice of Disputed Items shall be timely delivered in accordance with Section 2.9(b), the Parties shall, during the forty-five (45) days following the date of such delivery (the "Resolution Period"), negotiate in good faith to resolve the Disputed Items. During the Review Period and the Resolution Period, each Party and its Representatives (including its accountants) shall be permitted to review the working papers of the other Parties and their accountants relating to the notice of Disputed Items and the Proposed Closing Statement (subject to execution of customary working paper access letters). To the extent any Disputed Items are so resolved in writing by mutual agreement of all Parties within the Resolution Period, then the Proposed Closing Statement, as revised to incorporate such changes as have been agreed between all Parties, shall be conclusive, final and binding upon the Parties as the Final Closing Statement with respect to the items thereon so agreed.

(d) If during such Resolution Period the Parties are unable to reach agreement on all Disputed Items, the Parties shall refer all unresolved Disputed Items to the Independent Accountant. The Independent Accountant shall make a determination with respect to each unresolved Disputed Item within forty-five (45) days after its engagement by the Parties to resolve such Disputed Items, which determination shall be made in accordance with the rules set forth in this Section 2.9. Except as the Parties may otherwise agree, all communications between any of the Parties or any of their respective Representatives, on the one hand, and the Independent Accountant, on the other hand, will be in writing with copies simultaneously delivered to the non-communicating Parties. The Parties shall cooperate with the Independent Accountant in its proceedings, including by providing such accounting books and records and working papers of each Party and its accountants, as the Independent Accountant may reasonably request (subject to execution of customary working paper access letters). The Independent Accountant shall make its determination (i) based solely on the documentation submitted by, and presentations made by, any of the Parties (any such documentation or presentation must be provided to the other Parties at the same time as its submission or presentation to the Independent Accountant) and (ii) in a manner consistent with (A) the Accounting Principles and the Sample Closing Statement and the definitions

of Business Working Capital and Business Net Cash, in the case of the calculation of Business Working Capital and Business Net Cash, and (B) the Purchaser Accounting Principles and the Sample Purchaser Closing Statement, and the definitions of Purchaser Working Capital and Purchaser Net Cash, in the case of the calculation of Purchaser Working Capital and Purchaser Net Cash (and in each case each of the defined terms used in each of those terms or in which those terms are used and the related provisions of this Agreement). The Independent Accountant shall deliver to the Parties, within such forty-five (45)-day period, a written report setting forth its adjustments, if any, to the Proposed Closing Statement and the calculations supporting such adjustments, and any such adjustments must be within the range of values established for such Disputed Item by Purchaser in the Proposed Closing Statement and by the applicable Parent(s) in the notice of Disputed Items delivered pursuant to Section 2.9(b). Absent manifest errors, such report shall be conclusive, final and binding on the Parties and enforceable in a court of law, effective as of the date the Independent Accountant's written determination is received by the Parties, and the Proposed Closing Statement, as revised to incorporate the Independent Accountant's resolution of the Disputed Items, shall be conclusive, final and binding upon the Parties as the Final Closing Statement. Purchaser shall pay the fees and expenses of the Independent Accountant, and the Independent Accountant shall bill Purchaser accordingly. The Parties acknowledge that they have discussed their past contacts, if any, with the Independent Accountant, and that no Party shall have the right to object to the Independent Accountant's service in such role by reason of non-disclosure of past contacts, conflicts of interest or any other reason. If, before the Independent Accountant renders its determination with respect to the Disputed Items in accordance with this Section 2.9(d), any Disputed Items are resolved in writing by mutual agreement of all Parties, then in each case such items as so agreed will be conclusive, final and binding on the Parties immediately upon such notice as the Final Closing Statement with respect to the items thereon so agreed.

(e) As used herein, "Final Business Working Capital", "Final Business Net Cash", "Final Purchaser Working Capital" and "Final Purchaser Net Cash" mean (i) if no notice of Disputed Items with respect to the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, is delivered by either Parent within the period provided in Section 2.9(b), the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as shown in the Proposed Closing Statement as prepared by Purchaser, or (ii) if such a notice of Disputed Items with respect to the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, is timely delivered by either Parent, either (A) the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as mutually agreed to in writing by the Parties or (B) the Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, respectively, as shown in the Independent Accountant's calculation delivered pursuant to Section 2.9(d).

(f) Until the date on which the Proposed Closing Statement shall become conclusive, final and binding on the Parties pursuant to this Section 2.9 (the "Closing Statement Finalization Date"), each Party agrees that following the Closing it shall, and shall cause its Representatives to, preserve the accounting books and records of the Business and of Purchaser and its Affiliates on which the Proposed Closing Statement is to be based and shall not take any actions with respect to such books and records that would obstruct or prevent the procedures set forth in this Section 2.9 (including books and records related to the Business Working Capital, the Business Net Cash, the Purchaser Working Capital and the Purchaser Net Cash or the Proposed Closing Statement or the preparation of the Proposed Closing Statement).

(g) If (i) the amount equal to (A) the Final Business Working Capital *plus* (B) the Final Business Net Cash exceeds (ii) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash (the amount of such excess, the "Final Business Excess Adjustment"), Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay within five (5) Business Days of the Closing Statement Finalization Date to Seller Parent (and/or Seller Parent's designee(s), in such allocations as may be directed by Seller Parent) by wire transfer of immediately available funds to the Seller Account, an amount in cash equal to the amount of the Final Business Excess Adjustment.

(h) If (i) the amount equal to (A) the Estimated Business Working Capital *plus* (B) the Estimated Business Net Cash exceeds (ii) the amount equal to (A) the Final Business Working Capital *plus* (B) the Final Business Net Cash (the amount of such excess, the "Final Business Deficit Adjustment"), Seller Parent shall pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the amount of the Final Business Deficit Adjustment.

(i) If (i) the amount equal to (A) the Final Purchaser Working Capital *plus* (B) the Final Purchaser Net Cash exceeds (ii) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash (the amount of such excess, the "Final Purchaser Parent Excess Adjustment"), Purchaser shall, and Purchaser Parent shall cause Purchaser to, pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser Parent (and/ or Purchaser Parent's designee(s), in such allocations as may be directed by Purchaser Parent) by wire transfer of immediately available funds to the Purchaser Parent Account, an amount in cash equal to the amount of the Final Purchaser Parent Excess Adjustment.

(j) If (i) the amount equal to (A) the Estimated Purchaser Working Capital *plus* (B) the Estimated Purchaser Net Cash exceeds (ii) the amount equal to (A) the Final Purchaser Working Capital *plus* (B) the Final Purchaser Net Cash (the amount of such excess, the "Final Purchaser Parent Deficit Adjustment"), Purchaser Parent shall pay within five (5) Business Days of the Closing Statement Finalization Date to Purchaser by wire transfer of immediately available funds to the Purchaser Account, an amount in cash equal to the amount of the Final Purchaser Parent Deficit Adjustment.

(k) Until the date on which the Proposed Closing Statement shall become conclusive, final and binding on the Parties pursuant to this Section 2.9, each Party agrees that following the Closing it shall afford and cause to be afforded to the other Parties and their Affiliates and the Representatives retained by the other Parties in connection with the preparation of the Proposed Closing Statement and any adjustment to the Estimated Business Excess Adjustment, Estimated Business Deficit Adjustment, Estimated Purchaser Parent Excess Adjustment or Estimated Purchaser Parent Deficit Adjustment contemplated by this Section 2.9, reasonable access upon reasonable notice during normal business hours to the properties, books, contracts, personnel and records of the Business and Purchaser and Purchaser Parent and such Party's, its Affiliates' and

their respective accountants' working papers (subject to execution of customary working paper access letters) relevant to the preparation of the Proposed Closing Statement and any adjustment contemplated by this Section 2.9, including any notice of Disputed Items, and shall provide the other Parties and their Affiliates and Representatives, upon the other Party's reasonable request, with copies of any such books, contracts, records and work papers.

(l) Except in cases of fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, the process set forth in this Section 2.9 shall be the sole and exclusive remedy of any of the Parties and their respective Affiliates for any disputes related to the Final Business Excess Adjustment, the Final Business Deficit Adjustment, the Final Purchaser Parent Excess Adjustment and the Final Purchaser Parent Deficit Adjustment.

Section 2.10 Withholding. Absent any change in Law after the date hereof, Purchaser acknowledges and agrees that no withholding is required in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 as a result of Purchaser's tax residence to the extent Seller Parent satisfies its obligations pursuant to Section 3.1(b). In the event that any deduction or withholding for Taxes in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 is required by Law, Purchaser and the Purchaser Designated Affiliates shall be entitled to deduct and withhold such amounts from such payments to the extent required under applicable Law; provided that Purchaser shall give Seller Parent written notice of any such requirement to deduct and withhold any Taxes from such amounts promptly after becoming aware of such requirement. Purchaser and Seller Parent shall reasonably cooperate with each other to minimize the amounts, if any, required to be deducted and withheld. If any amount is withheld in accordance with the foregoing provisions of this Section 2.10, such withheld amount shall be treated for all purposes of this Agreement as having been paid to the applicable recipient of such amount otherwise payable.

ARTICLE III

CLOSING

Section 3.1 Closing.

(a) Subject to Section 3.1(d), the Closing shall take place at the offices of Wachtell, Lipton, Rosen & Katz located at 51 West 52nd Street, New York, New York 10019, at 10:00 a.m. (New York time) on the third (3rd) Business Day following the satisfaction or waiver of all the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied on the Closing Date, but subject to the satisfaction or waiver of such conditions), or at such other time and place as the Parties may mutually agree. The date on which the Closing occurs is referred to as the "Closing Date." Unless the Parties agree otherwise, and notwithstanding the actual occurrence of the Closing at any particular time on the Closing Date, the Closing shall be deemed to occur and be effective as of 12:01 a.m. (New York time) on the Closing Date. In addition to payment of the amounts set forth in Section 2.8:

(b) At the Closing, Seller Parent shall deliver, or cause to be delivered, to Purchaser the instruments and documents set forth in Exhibit A.

(c) At the Closing, Purchaser shall, and Purchaser Parent shall cause Purchaser to, deliver to Seller Parent, as agent for the Sellers, or its designee (s) the following: (i) customary and satisfactory evidence of the allotment and issuance of the Purchase Consideration to Seller Parent or its designee(s), credited as fully paid and (ii) the instruments and documents set forth in Exhibit B.

(d) Seller Parent and Purchaser Parent hereby agree that if the Closing Date does not fall on the last day of a calendar month, the Parties shall cooperate in good faith and discuss designing a lock box construct to facilitate a month end closing for accounting purposes pursuant to which each of Seller Parent and Purchaser Parent is put in the same economic position as if the Closing had occurred on the originally contemplated Closing Date and so that neither Party bears any additional closing conditionality risk or value leakage risk during the interim period.

Section 3.2 Restated Purchaser Articles of Association. Purchaser Parent shall, in accordance with applicable Law and the articles of association of Purchaser, cause the articles of association of Purchaser to be amended and restated, effective as of immediately prior to the Closing, to be in the form set forth in Exhibit E (the "Restated Purchaser Articles of Association").

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER PARENT

Except as set forth in the Seller Disclosure Letter and in accordance with Section 10.8, Seller Parent hereby represents and warrants to Purchaser Parent and Purchaser as follows:

Section 4.1 Organization. Seller Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each Seller is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized, validly existing and, where applicable, in good standing under the Laws of the jurisdiction of its organization, except where the failure to be so organized, existing or in good standing would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

Section 4.2 Authority; Binding Effect.

(a) Seller Parent has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it will be a party and to perform its obligations hereunder and thereunder. The execution and delivery by Seller Parent of this Agreement and each such Ancillary Agreement, and the performance by Seller Parent of its obligations hereunder and thereunder, have been, or will have been as of the Closing, duly authorized by all requisite corporate action. Each Seller has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to execute and deliver each Ancillary Agreement to which it will be a party and to perform its obligations thereunder. The execution and delivery by each Seller of each Ancillary Agreement to which it will be a party, if applicable, and the performance by it of its obligations thereunder, have been, or will have been as of the Closing, duly authorized by all requisite corporate or other similar applicable action.

(b) Seller Parent has, and each other Seller has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to carry on its respective business as it pertains to the Business as currently conducted and to own, lease and operate its properties and assets related to the Business, except where the failure to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

(c) This Agreement has been duly executed and delivered by Seller Parent and, assuming this Agreement has been duly executed and delivered by Purchaser Parent and Purchaser, constitutes a legal, valid and binding obligation of Seller Parent, and each Ancillary Agreement will be as of the Closing duly executed and delivered by each Seller that will be a party thereto and will, assuming such Ancillary Agreement has been duly executed and delivered by Purchaser Parent, Purchaser or the applicable Purchaser Designated Affiliate, constitute a legal, valid and binding obligation of such Seller, in each case enforceable against Seller Parent or such other Seller in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

Section 4.3 Conveyed Subsidiaries; Capital Structure.

(a) Each of the Conveyed Subsidiaries is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing, with all requisite corporate or other similar applicable power and authority to own, lease and operate its properties and assets related to the Business and to carry on its respective business as it pertains to the Business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business. Each of the Conveyed Subsidiaries is, or will be as of the Closing, duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to the Business.

(b) Section 4.3(b) of the Seller Disclosure Letter sets forth, as of immediately prior to the Closing, (i) the name and the jurisdiction of organization of each of the Conveyed Subsidiaries and (ii) the record owners of such outstanding equity interests. All of the outstanding equity interests of each of the Conveyed Subsidiaries are, or will be as of the Closing, validly issued, fully paid and, in the case of any Conveyed Subsidiary which is a corporation, non-assessable, and the Shares are not subject to, and were not issued in violation of, any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any of the Conveyed Subsidiaries

is or may become obligated to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of the Conveyed Subsidiaries, or any securities convertible into or exchangeable for the capital stock or voting securities of any Conveyed Subsidiary. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of the Conveyed Subsidiaries. The Sellers own of record and beneficially as of the date of this Agreement, or will own of record and beneficially as of immediately prior to the Closing, all of the issued and outstanding Shares, free and clear of all material Liens except for Liens arising under applicable securities Laws. Except for the Shares and the equity interests of any Subsidiary of a Conveyed Subsidiary, the Purchased Assets do not include, and the Conveyed Subsidiaries do not own, any other equity interests of any Person.

(c) Section 4.3(c) of the Seller Disclosure Letter sets forth, as of immediately prior to the Closing, (i) the name and the jurisdiction of organization of each Subsidiary of the Conveyed Subsidiaries and (ii) the record owners of the outstanding equity interests of such Subsidiaries. Each such Subsidiary is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing, with all requisite corporate or other similar applicable power and authority to own, lease and operate its properties and assets related to the Business and to carry on its respective business as it pertains to the Business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to the Business. Except as set forth in Section 4.3(c) of the Seller Disclosure Letter, all of the outstanding equity interests of each Subsidiary of a Conveyed Subsidiary are owned of record and beneficially by such Conveyed Subsidiary (or a Subsidiary thereof) as of the date of this Agreement, or will be owned of record and beneficially by such Conveyed Subsidiary (or a Subsidiary thereof) as of immediately prior to the Closing, free and clear of all Liens except for Liens arising under applicable securities Laws. All of the outstanding equity interests of each Subsidiary of a Conveyed Subsidiary are, or will be as of the Closing, validly issued, fully paid and, in the case of any such Subsidiary which is a corporation, non-assessable. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any Subsidiary of a Conveyed Subsidiary is or may become obligated to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of such Subsidiary, or any securities convertible into or exchangeable for the capital stock or voting securities of such Subsidiary. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of any Subsidiary of a Conveyed Subsidiary.

Section 4.4 No Conflicts; Consents. The execution, delivery and performance of this Agreement by Seller Parent and each Ancillary Implementing Agreement by a Seller party to such Ancillary Implementing Agreement, and the consummation of the transactions contemplated hereby and thereby, by Seller Parent and such Seller do not and will not (a) violate any provision of the certificate of incorporation or bylaws of Seller Parent or the comparable organizational documents of any of the other Sellers or any of the Conveyed Subsidiaries (or any Subsidiary thereof), (b) subject to obtaining the consents set forth in Section 4.4 of the Seller Disclosure Letter, result in a violation of, or require the consent of any Person pursuant to, or conflict with, constitute

a default under, or result in the breach or termination, cancellation or acceleration (whether with or without the giving of notice or the lapse of time or both) of any right or obligation of the Sellers or the Conveyed Subsidiaries (or any Subsidiary thereof) under, or to a loss of any benefit of the Business to which the Sellers or the Conveyed Subsidiaries (or their Subsidiaries) is entitled, under any Material Contract or Real Property Lease, or result in the imposition of a Lien on any Purchased Assets, other than Permitted Liens, and (c) assuming compliance with the matters set forth in Sections 4.5 and 5.5, violate or result in a breach of or constitute a default under any Law, Governmental Authorization or other restriction of any Governmental Authority to which any Seller or Conveyed Subsidiary (or Subsidiary thereof) is subject, except, with respect to clauses (b) and (c), as would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date.

Section 4.5 Governmental Authorization. The execution, delivery and performance of this Agreement by Seller Parent and each Ancillary Implementing Agreement by a Seller party to such Ancillary Implementing Agreement does not require any Approval of, or Filing with, any Governmental Authority, except for (a) the expiration or early termination of the applicable waiting period under the HSR Act, (b) the Approvals and Filings set forth in Section 4.5 of the Seller Disclosure Letter, (c) the Approvals and Filings which if not obtained or made would not, individually or in the aggregate, be materially adverse to the Business or prevent or reasonably be expected to prevent the Sellers from consummating the Closing prior to the Outside Date, and (d) the Approvals and Filings required due to the regulatory obligations of Purchaser, Purchaser Parent or any of their Affiliates.

Section 4.6 Financial Information.

(a) Section 4.6(a) of the Seller Disclosure Letter contains copies of the audited balance sheet of the Business as of December 31, 2017 (the "Balance Sheet Date"), December 31, 2016 and December 31, 2015 and the related audited income statement for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 (together with any notes thereto, the "Financial Statements"). Section 4.6(a) of the Seller Disclosure Letter also sets forth the accounts of the Business as of March 31, 2018, June 30, 2018, and September 30, 2018 corresponding to the accounts included in the Sample Closing Statement (the "Business Working Capital Accounts"). The Business Working Capital Accounts were prepared using principles, procedures, policies and methods consistent in all material respects with those used in the preparation of the balance sheet of the Business as of the Balance Sheet Date included in the Financial Statements.

(b) Except as set forth in Section 4.6(b) of the Seller Disclosure Letter or as noted in the Financial Statements, the Financial Statements were prepared in accordance with GAAP, on a consistent basis for each period presented, and present fairly in all material respects, (i) the financial condition, assets and liabilities of the Business as of the dates therein specified and (ii) the results of operations of the Business for the periods indicated; provided that the Financial Statements and the foregoing representations and warranties concerning the Financial Statements are qualified by the fact that the Business has not operated as a separate standalone entity and has received certain allocated charges and credits as stated therein which do not necessarily reflect amounts that would have resulted from arm's-length transactions or that the Business would incur on a standalone basis.

(c) Except as set forth in Section 4.6(c) of the Seller Disclosure Letter, the Business does not have any Indebtedness or other Liabilities of any nature or kind whatsoever (whether accrued, known or unknown, absolute, contingent or otherwise) that would be required to be reflected on a balance sheet of the Business prepared in accordance with GAAP except for (i) Liabilities accrued for, reflected on, disclosed and/or reserved against on the Financial Statements, (ii) Liabilities incurred subsequent to the Balance Sheet Date in the ordinary course of business, (iii) Liabilities taken into account in the Final Closing Statement, Final Business Working Capital or Final Business Net Cash, (iv) the Retained Liabilities, (v) Liabilities incurred in connection with or arising out of the transactions contemplated hereby, (vi) Liabilities disclosed or set forth in the Seller Disclosure Letter and (vii) Liabilities which would not, individually or in the aggregate, be materially adverse to the Business.

(d) All of the information supplied by Seller Parent or its Affiliates to Purchaser Parent expressly for inclusion, or to support statements made, in the announcement of the Sale and the other transactions contemplated by this Agreement to be released immediately following execution of this Agreement in compliance with the Listing Rules, the Purchaser Parent Shareholder Circular, or any amendment or supplement thereto, or any announcement to any regulatory information service approved by the UKLA in connection with the Purchaser Parent Shareholder Circular, and any other related documents required to be filed or published in connection with the Sale and/or the other transactions contemplated by this Agreement, will have been prepared in good faith and will not to the Knowledge of Seller Parent, in the case of the Purchaser Parent Shareholder Circular, at the time the Purchaser Parent Shareholder Circular and any amendments or supplements thereto are first published in accordance with the Listing Rules and at the time of the Purchaser Parent Shareholder Meeting, and in the case of any other such document, at the time it is first published, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.7 Absence of Material Changes. Except as otherwise contemplated by this Agreement and the transactions contemplated hereby (including the Strategic Process and the Seller Internal Restructurings), since December 31, 2017 (a) there has not been any Material Adverse Effect and (a) until the date of this Agreement, the Business has been operated, in all material respects, in the ordinary course of business.

Section 4.8 No Litigation.

(a) Except as set forth in Section 4.8(a) of the Seller Disclosure Letter, there is no Action pending or, to the Knowledge of Seller Parent, threatened against a Conveyed Subsidiary or any Subsidiaries thereof or the Sellers or their Affiliates relating to the Business or any properties or rights of a Conveyed Subsidiary or its Subsidiaries or any Purchased Asset, before any Governmental Authority or arbitration tribunal other than Actions which would not, individually or in the aggregate, be materially adverse to the Business.

(b) Except as set forth in Section 4.8(b) of the Seller Disclosure Letter, none of the Conveyed Subsidiaries or any Subsidiaries thereof or the Sellers is subject to any Governmental Order relating to the Business or any Purchased Asset other than those which would not, individually or in the aggregate, be materially adverse to the Business.

Section 4.9 Compliance with Laws. Except as set forth in Section 4.9 of the Seller Disclosure Letter:

(a) Each Seller and each Conveyed Subsidiary (and Subsidiary thereof) is, and for the last three (3) years has been, in compliance with all Laws applicable to the ownership, lease or operation of the Purchased Assets and the Business, including (i) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §301 et seq. and applicable binding implementing regulations issued by the U.S. Food and Drug Administration, (ii) the applicable Laws of the European Union and applicable binding implementing regulations issued by applicable Governmental Authorities in those jurisdictions in the European Union in which the Business markets, commercializes, distributes and sells Products, or otherwise operates, or has marketed, commercialized, distributed or sold Products, or otherwise operated, in the last three (3) years (including European Union's Directive 95/46/EC, as amended, and Regulation EU 2016/679 (the General Data Protection Regulation), and any national implementing legislation of the foregoing) and as of the Closing and (iii) the applicable Laws of any other jurisdiction in which the Business markets, commercializes, distributes and sells Products, or otherwise operates, or has marketed, commercialized, distributed or sold Products, or otherwise operated, in the last three (3) years and as of the Closing, except in the case of each of the foregoing clauses (i), (ii) and (iii) to the extent that the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Business.

(b) The Sellers and the Conveyed Subsidiaries (and Subsidiaries thereof) collectively possess, or will possess as of the Closing, all Governmental Authorizations necessary for the conduct of the Business, as currently conducted, and each such Governmental Authorization is in full force and effect, except where the failure to possess any such Governmental Authorization or the failure of such Governmental Authorization to be in full force and effect would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole.

Section 4.10 Product Registrations; Manufacturing Registrations; Regulatory Compliance; Product Liability and Recalls.

(a) Except with respect to Environmental Permits (which are the subject of Section 4.11):

(i) Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) own, possess or validly have the right to use all Governmental Authorizations required to research, develop, manufacture, market, commercialize, distribute, test, use, store and sell the Products, except where the failure to so own, possess or validly have such right would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole;

(ii) All Products sold under the Product Registrations are manufactured and marketed in accordance with the specifications and standards contained in such Product Registrations, and the applicable Manufacturing Registrations, except where the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Business; and

(iii) Except as set forth in Section 4.10(a)(iii) of the Seller Disclosure Letter, a Seller or Conveyed Subsidiary (or Subsidiary thereof) is, or will be as of the Closing, the sole and exclusive owner of each Product Registration and Manufacturing Registration.

(b) Except as set forth in Section 4.10(b) of the Seller Disclosure Letter, there is no Action pending, or, to the Knowledge of Seller Parent, threatened, relating to the Business or Purchased Assets (i) arising from complaints, allegations or Actions relating to any injury to person or property or as a result of ownership, possession, provision or use of any of the Products that were manufactured, processed, distributed, shipped or sold prior to the date of this Agreement or (ii) relating to any alleged hazard or alleged defect in design, manufacture, materials or workmanship, including any failure to warn or alleged breach of express or implied warranty or representation, relating to the Products, except in the case of each of the foregoing clauses (i) and (ii), for Actions which would not, individually or in the aggregate, be materially adverse to the Business.

(c) Except as set forth in Section 4.10(c) of the Seller Disclosure Letter, since January 1, 2016, there have been no recalls or market withdrawals of Products and, to the Knowledge of Seller Parent, no facts or circumstances exist that would reasonably be expected to result in recalls or market withdrawals of Products that would, individually or in the aggregate, be materially adverse to the Business.

(d) Notwithstanding any other provision of this Agreement, this Section 4.10 sets forth the sole and exclusive representations and warranties of Seller Parent with respect to Product Registrations and Manufacturing Registrations, products liability and product recalls, and the other regulatory matters described in this Section 4.10.

Section 4.11 Environmental Matters. Except as set forth in Section 4.11 of the Seller Disclosure Letter:

(a) (i) the Sellers (with respect to the Business), the Conveyed Subsidiaries and their Subsidiaries, the Business (as currently or formerly conducted), the Purchased Assets and the Facilities are and have been since January 1, 2016 in compliance with all applicable Environmental Laws and Governmental Authorizations required under Environmental Law (including Environmental Permits); (ii) none of the Sellers nor their Affiliates (in each case, with respect to the Business or the Purchased Assets) are undertaking or required to undertake any Remedial Action at the Real Property or any property formerly owned, leased or operated by a Conveyed Subsidiary or their Subsidiaries (or any of their respective predecessors) or by the Business (as currently or formerly conducted); and (iii) since January 1, 2016, none of the Sellers or their Affiliates has received written notice from a Governmental Authority or other Person that it is subject to any unresolved enforcement action or Liability with respect to the Conveyed Subsidiaries or their Subsidiaries, the Business (as currently or formerly conducted), the Purchased Assets or the Facilities under any applicable Environmental Laws or Environmental Permits, except for such noncompliance, Remedial Actions, Liabilities or enforcement actions that would not, individually or in the aggregate, be materially adverse to the Business;

(b) all Governmental Authorizations (including Environmental Permits) required of the Sellers and their Affiliates (in each case, with respect to the Business or the Purchased Assets) under all applicable Environmental Laws have been obtained and are held by a Seller or Conveyed Subsidiary (or Subsidiary thereof), except for such failures to obtain as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole; and

(c) no Actions or written claims are pending or, to the Knowledge of Seller Parent, threatened against any Seller or their Affiliates (in each case, with respect to the Business or the Purchased Assets) arising from or as a result of, and there have been no (i) exposures to Hazardous Materials, including on, in, under, about or from the Purchased Assets or at the Facilities, (ii) Releases of Hazardous Materials, including at, on, in, under, or from any Purchased Assets or from any Facilities, (iii) off-site treatment, storage or disposal of Hazardous Materials generated by the Business (as currently or formerly conducted), the Sellers (with respect to the Business) or any Conveyed Subsidiary or their Subsidiaries or (iv) any violations of any Environmental Laws arising, directly or indirectly, in connection with the Business (as currently or formerly conducted) or any of the Purchased Assets or Facilities, in each case that has resulted or would result in Environmental Liability, except for such claims, Actions, Environmental Liabilities or investigations that would not, individually or in the aggregate, be materially adverse to the Business.

(d) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.11 are the sole and exclusive representations and warranties of Seller Parent with respect to Environmental Laws, Environmental Permits, Environmental Liabilities, Hazardous Materials and other environmental matters.

Section 4.12 Material Contracts.

(a) Except (x) for Contracts entered into after the date of this Agreement, (y) for intercompany agreements solely between or among Conveyed Subsidiaries (or any of their Subsidiaries) or that shall be terminated as of or prior to the Closing Date in accordance with Section 6.7 or (z) as set forth in Section 4.12(a) of the Seller Disclosure Letter, none of the Conveyed Subsidiaries (or any Subsidiary thereof), Seller Parent or any of its Affiliates is a party to or bound by any Contract in effect as of the date hereof that is material to the Business, taken as a whole (a "Material Contract").

(b) Except as set forth in Section 4.12(b) of the Seller Disclosure Letter, (i) except as would not, individually or in the aggregate, be materially adverse to the Business, each Material Contract is legal, valid and binding on the Seller or Conveyed Subsidiary (or Subsidiary thereof) that is a party thereto and, to the Knowledge of Seller Parent, each other party thereto, and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights

generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), and (ii) no Seller or Conveyed Subsidiary (or Subsidiary thereof) or, to the Knowledge of Seller Parent, any other party thereto, is in breach of, or default under, any such Material Contract, except for such breaches or defaults as would not, individually or in the aggregate, be materially adverse to the Business.

(c) Section 4.12(c) of the Seller Disclosure Letter lists all material Seller Parent Related Party Contracts.

Section 4.13 Intellectual Property.

(a) Seller Parent has made available to Purchaser (at least two (2) Business Days prior to the date hereof), a complete and accurate listing (the "IP Schedules") of all issued Patent Rights, pending applications for Patent Rights, registered Trademarks, pending Trademark registration applications and registered Copyrights (collectively, the "Registered IP") that are Business IP (collectively, the "Registered Business IP") which listing shall be incorporated by reference into Section 4.13(a) of the Seller Disclosure Letter. To the Knowledge of Seller Parent (but only as to validity and enforceability), as of the date of this Agreement, except as would not, individually or in the aggregate, be materially adverse to the Business, the Registered Business IP is in effect and subsisting and, if registered, is not invalid or unenforceable. The Business Trademarks Rights, together with Trademarks that are licensed to the Sellers or the Conveyed Subsidiaries by a third party, include all of the Business Key Brands.

(b) All material Business IP and Business Licensed IP shall be, following the Closing, transferable and licensable (or sublicensable, as the case may be) by Purchaser and its Subsidiaries, without payment of any kind to Seller Parent or any Affiliate of Seller Parent, as may be needed in the ordinary course of the operation of the Business, and shall be fully transferable, assignable and assumable, as the case may be, without payment of any kind to Seller Parent or any Affiliate of Seller Parent, in connection with a change of control (that constitutes an assignment) of Purchaser or any Listing Transaction (as defined in the Purchaser Shareholders Agreement) or the sale of substantially all of the assets of a business unit of Purchaser to the extent such Business IP or Business Licensed IP is related to such business unit.

(c) Except as would not, individually or in the aggregate, be materially adverse to the Business, and taking into account Section 6.22, the Business IP, together with the Intellectual Property (i) licensed to Purchaser or its Subsidiaries by Seller Parent or any of its Affiliates under the Ancillary Agreements (the "Business Licensed IP"), (ii) covered by the Assumed Contracts or Shared Contracts, or (iii) to which Purchaser or its Affiliates are provided access under any Ancillary Agreement, including in connection with the services provided under the Transition Services Agreement, constitutes all of the Intellectual Property owned or controlled by Seller Parent or any of its Subsidiaries that is used or held for use in, or that is necessary for, the conduct of the Business, as conducted as of the date of this Agreement. The operation of the Business immediately following the Closing will not infringe any of Seller Parent's or any of its Affiliates' Intellectual Property.

(d) Except as would not, individually or in the aggregate, be materially adverse to the Business, (x) the conduct of the Business does not, to the Knowledge of Seller Parent, infringe, misappropriate or otherwise violate the Intellectual Property of any Person and (y) as of the date of this Agreement, there is no Action pending or, to the Knowledge of Seller Parent, threatened in writing against any Conveyed Subsidiary or any Subsidiary thereof or any Seller or any of its Affiliates (i) alleging any such infringement, misappropriation, or other violation, or (ii) challenging the validity, enforceability, ownership, use, registrability, or patentability of the Business IP, other than ordinary course prosecution proceedings associated with the application for or registration of Registered IP.

(e) Except as would not, individually or in the aggregate, be materially adverse to the Business, as of the date of this Agreement, to the Knowledge of Seller Parent, no Person is infringing, misappropriating or otherwise violating any Business IP and as of the date of this Agreement, no such Actions are pending or, to the Knowledge of Seller Parent, threatened against any Person by Seller Parent, or any of its Affiliates (including any Conveyed Subsidiary or any Subsidiary thereof) or any other Seller.

(f) Seller Parent or its Subsidiaries (including the Conveyed Subsidiaries), as applicable, are the sole legal owners of all Registered Business IP that is owned or purported to be owned by Seller Parent or its Affiliates. None of the Registered Business IP or any other material Business IP is subject to any Lien, other than Permitted Liens.

(g) Since January 1, 2016, to the Knowledge of Seller Parent, there (i) have been no failures of the Business IT Systems that have materially and adversely impacted the conduct of the Business and (ii) has been no unauthorized access, loss, use or breach of security with respect to the Business IT Systems or any material sensitive, confidential or proprietary information (including personally identifiable information) relating to the Business that have materially and adversely impacted the Business.

(h) Notwithstanding any provision of this Agreement to the contrary, except with respect to Section 4.7, Section 4.12, and this Section 4.13 sets forth the sole and exclusive representations and warranties of Seller Parent with respect to Intellectual Property.

Section 4.14 Real Property.

(a) The Sellers or the Conveyed Subsidiaries (or their Subsidiaries) have, or will have as of the Closing, insurable title in fee simple to the Owned Real Property, free and clear of any Liens, other than Permitted Liens. Except as set forth in Section 4.14(a) of the Seller Disclosure Letter or as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, neither Sellers nor the Conveyed Subsidiaries (or their Subsidiaries) is leasing or otherwise granting to any third party the right to use or occupy any Owned Real Property or any portion thereof.

(b) Except as set forth in Section 4.14(b)(i) of the Seller Disclosure Letter, Sellers or the Conveyed Subsidiaries (or their Subsidiaries) has a valid leasehold interest and valid and continuing right to use and occupy each Leased Real Property pursuant to a Real Property Lease. Except (x) as set forth in Section 4.14(b)(ii) of the Seller Disclosure Letter, or (y) as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole,

(i) each Real Property Lease is legal, valid and binding on the Seller or Conveyed Subsidiary (or Subsidiary thereof) that is a party thereto and, to the Knowledge of Seller Parent, each other party thereto and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), (ii) no Seller or Conveyed Subsidiary (or Subsidiary thereof) or, to the Knowledge of Seller Parent, any other party thereto, is in breach of, or default under, any such Real Property Lease and (iii) neither the Sellers nor the Conveyed Subsidiaries (or their Subsidiaries) is leasing or otherwise granting to any third party the right to use or occupy any Leased Real Property or any portion thereof.

(c) Except as set forth in Section 4.14(c) of the Seller Disclosure Letter, (i) no certificate, permit or license from any Governmental Authority having jurisdiction over any of the Real Property, or any Contract, easement or other right which is necessary to permit the lawful occupancy of the buildings and improvements on any of the Real Property or which is necessary to permit the lawful use of all driveways, roads and other means of egress and ingress to and from any of the Real Property, in each case, with respect to the Business, has not been obtained or, to the Knowledge of Seller Parent, is not in full force and effect, which would, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, and (ii) none of the Sellers (in respect of the Business) or the Conveyed Subsidiaries or their Subsidiaries has received any written notice from any Governmental Authority that the Real Property is currently in violation of any applicable Law that would, individually or in the aggregate, materially impair the operations of the Business, taken as a whole.

(d) Section 4.14(d)(i) of the Seller Disclosure Letter sets forth each manufacturing and research and development facility at which Products are manufactured or developed that is owned or operated by Sellers or the Conveyed Subsidiaries (or their Subsidiaries) (the "Seller Facilities"). Except as set forth in Section 4.14(d)(ii) of the Seller Disclosure Letter, Sellers or the Conveyed Subsidiaries (or their Subsidiaries) has insurable title in fee simple to, or a valid leasehold interest and valid and continuing right to use and occupy, each Seller Facility.

Section 4.15 Assets.

(a) Except as otherwise provided in this Agreement or as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, the Sellers or the Conveyed Subsidiaries (or their Subsidiaries) have, or will have as of the Closing, good and valid title to, or other legal rights to possess and use, all of the assets comprising the business reflected in the Financial Statements (for clarity, excluding any assets sold or disposed of in the ordinary course of business after the date thereof), free and clear of any Liens other than Permitted Liens.

(b) Except (i) as set forth in Section 4.15(b) of the Seller Disclosure Letter (ii) for Excluded Services (as defined in the Transition Services Agreement) and (iii) as would not, individually or in the aggregate, materially impair the operations of the Business, taken as a whole, the Purchased Assets (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements

have been obtained; provided, that no such assumption shall be made to the extent Seller Parent is not in compliance with its obligations under Section 2.2 and Section 6.3 of this Agreement), together with the benefits, services, assets, licenses, sublicenses and other rights and benefits to be provided to Purchaser and its Affiliates pursuant to this Agreement and the Ancillary Agreements, will, in the aggregate, constitute all of the assets either used in or necessary for Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) to conduct the Business as conducted as of the date of this Agreement and as of the Closing.

(c) After giving effect to the Seller Internal Restructurings and the other transactions contemplated by this Agreement and the Ancillary Agreements (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been obtained; provided, that no such assumption shall be made to the extent Seller Parent is not in compliance with its obligations under Section 2.2 and Section 6.3 of this Agreement) and except as provided for in the Ancillary Agreements, the Conveyed Subsidiaries (and the Subsidiaries thereof) will not, directly or indirectly, be engaged in any Retained Business, or hold or be subject to any Retained Liability or Excluded Asset (other than non-material or ministerial liabilities, assets, rights or properties).

Section 4.16 Taxes.

(a) All income and other material Tax Returns that are required to be filed in respect of the Purchased Assets or the Business or by or on behalf of any Conveyed Subsidiary or Subsidiary thereof have been timely filed (taking into account any applicable extensions), and all such Tax Returns are true, correct and complete in all material respects.

(b) All income and other material Taxes required to be paid in respect of the Purchased Assets or the Business or by or in respect of any Conveyed Subsidiary or any Subsidiary thereof have been timely paid (taking into account any applicable extensions).

(c) The Conveyed Subsidiaries (and the Subsidiaries thereof), and the Sellers solely with respect to the Business, have deducted or withheld and paid over to the applicable Taxing Authority all material Taxes required to have been deducted or withheld and paid over in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party and each such Conveyed Subsidiary or Subsidiary thereof has (if required by any applicable Laws to do so) provided appropriate certificates of deduction.

(d) There are no Liens for material Taxes upon any of the Purchased Assets or the assets of the Conveyed Subsidiaries or any of their Subsidiaries, except for Permitted Liens.

(e) Within the past three (3) years, none of the Conveyed Subsidiaries and none of their Subsidiaries has been a “distributing corporation” or a “controlled corporation” in a distribution intended to qualify under Section 355(a) of the Code.

(f) There are no current or pending audits, examinations, contests or other Actions with respect to material Taxes of any Conveyed Subsidiary or any Subsidiary thereof or of any Seller with respect to any Purchased Assets or the Business, and no such audits, examinations, contests or other Actions have been threatened in writing.

(g) There are no outstanding powers of attorney granted by any of the Conveyed Subsidiaries or any Subsidiary thereof with respect to material Taxes for any taxable period beginning after the Closing Date, other than powers of attorney granted to other Conveyed Subsidiaries or Subsidiaries thereof.

(h) None of the Conveyed Subsidiaries or any Subsidiary thereof is party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (other than (x) any such agreement or arrangement solely between or among two or more Conveyed Subsidiaries and/or Subsidiaries thereof and (y) provisions contained in commercial agreements or arrangements the primary purpose of which is not Taxes (including employment agreements, credit agreements, leases and supply or manufacturing agreements)).

(i) None of the Conveyed Subsidiaries or Subsidiaries thereof is or has been party to any "listed transaction" as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4. No Conveyed Subsidiary or Subsidiary thereof has at any time entered into or been engaged in or been a party to or promoter of any scheme, transaction or arrangement which was required by Law to be specifically disclosed to a Taxing Authority or a main or dominant purpose or object of which was the avoidance or deferral of or the obtaining of a reduction in or other advantage in respect of any Taxes.

(j) In the last three (3) years, no claim has been made in writing by any Taxing Authority in any jurisdiction in which any of the Conveyed Subsidiaries or Subsidiaries thereof, or any Seller with respect to the Business or any Purchased Assets, does not file income or franchise Tax Returns to the effect that such entity is or may be subject to income or franchise taxation by such jurisdiction.

(k) None of the Conveyed Subsidiaries or Subsidiaries thereof will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period beginning after the Closing Date as a result of: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date made prior to the Closing, (ii) "closing agreement" executed prior to the Closing, (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code entered into or existing prior to the Closing, (iv) prepaid amount received on or prior to the Closing, (v) election under Section 108(i) of the Code made prior to the Closing or (vi) installment sale or open transaction disposition occurring on or before the Closing Date.

(l) Neither entering into this Agreement nor consummating the transactions contemplated hereby, nor, so far as Seller Parent is aware, any other event, transaction, action or circumstance will give rise to any Liability for Tax or result in the withdrawal or clawback of any Tax Benefit for any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary as a result of any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary ceasing to be a member of a group with any other Person for Tax purposes.

(m) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.16 and Section 4.17 (to the extent related to Taxes) are the sole and exclusive representations and warranties of Seller Parent with respect to Taxes.

Section 4.17 Employee Benefits; Employees.

(a) Set forth in Section 4.17(a) of the Seller Disclosure Letter is a true and complete list of each material Seller Group Plan and Foreign Seller Group Plan categorized by (i) whether the Seller Group Plan or Foreign Seller Group Plan is a Conveyed Subsidiary Plan and (ii) the country or countries for which such Seller Group Plan or Foreign Seller Group Plan provides benefits. No Conveyed Subsidiary Plan provides benefits to, or otherwise covers, any individual who is not a Business Employee, Former Business Employee, or the dependents or beneficiaries thereof.

(b) With respect to each material Conveyed Subsidiary Plan (other than Foreign Seller Group Plans that are not defined benefit pension plans), Seller Parent has made available to Purchaser Parent, prior to the date of this Agreement, true and complete copies of (i) each such plan's governing document and any amendments thereto (or a written summary of all material terms if the plan has not been reduced to writing) and (ii) any applicable Plan Regulatory or Funding Documents. In addition, within thirty (30) days following the date hereof, with respect to each (x) material Conveyed Subsidiary Plan that is a Foreign Seller Group Plan, Seller Parent shall make available to Purchaser true and complete copies of the documents contemplated by the immediately preceding sentence, and (y) each other material Seller Group Plan or Foreign Seller Group Plan for which Purchaser, the Conveyed Subsidiaries or their respective Affiliates have or will assume Liability following the Closing, Seller Parent shall make available to Purchaser Parent summaries of the material terms of such plans, the most recent summary plan description (if any) and excerpts or summaries of the actuarial reports for such plans to the extent relevant to the Liabilities being assumed. Seller Parent has made available to Purchaser Parent, on or prior to the date of this Agreement, a summary that is accurate in all material respects of the value of the assets and Liabilities of the Seller Pension Plans that relate to Business Employees and Former Business Employees as of the end of the 2017 fiscal year of Seller Parent.

(c) The IRS has issued a favorable determination letter, or for a prototype plan, opinion letter, with respect to each Conveyed Subsidiary Plan intended to be qualified within the meaning of Section 401(a) of the Code or, if no such determination has been made, either an application for such determination is pending with the IRS or the time within which such determination may be sought from the IRS has not yet expired, and, to the Knowledge of Seller Parent, nothing has occurred since the date of such determination or opinion that would reasonably be expected to result in disqualification of such Conveyed Subsidiary Plan. Each Conveyed Subsidiary Plan that is intended to qualify for any particular tax or regulatory treatment under the Laws of a country other than the United States (i) has received documentation of such qualification from a Governmental Authority (if available), and, to the Knowledge of Seller Parent, nothing has occurred since the date of such documentation that would reasonably be expected to result in disqualification of such Conveyed Subsidiary Plan or (ii) if such documentation is not available, to the Knowledge of Seller Parent, so qualifies.

(d) No Seller Group Plan is a "multiemployer plan," as such term is defined in Section 3(37) of ERISA, nor is any Conveyed Subsidiary Plan subject to Section 302 or Title IV of ERISA or Section 412 of the Code. None of the Purchased Assets is subject to a lien under Section 430(k) of the Code or Section 4068 of ERISA, and neither Seller Parent nor any of its ERISA Affiliates has incurred any liability under Title IV of ERISA (other than premium payments to the Pension Benefit Guaranty Corporation in the ordinary course) or Section 4971 of the Code which has not been and will not be fully paid as of the Closing. None of the Conveyed Subsidiaries (or the Subsidiaries thereof) or the Business has as of the date of this Agreement, or will have as of the Closing, any Liability in respect of post-employment or post-retirement medical, health or life insurance benefits for any current or former employees, except as required by applicable Law or to avoid excise tax under Section 4980B of the Code. Except as set forth on Section 4.17(d) of the Seller Disclosure Letter, no Seller Group Plan or Foreign Seller Group Plan is a defined benefit pension plan.

(e) Each Seller Group Plan and Foreign Seller Group Plan (other than a Conveyed Subsidiary Plan) has been maintained, operated, funded and administered in compliance in all respects with its terms and applicable Law, except for such instances of noncompliance that would not, individually or in the aggregate, be materially adverse to the Business. Each Conveyed Subsidiary Plan has been established, maintained, funded and administered in compliance in all material respects its terms and applicable Law. All material contributions or premiums with respect to each Conveyed Subsidiary Plan have been paid or deducted in a timely fashion and there are no material outstanding defaults or violations thereunder that have not been properly recorded in the Financial Statements. Other than routine claims for benefits, there are no suits, claims, proceedings, actions, governmental audits or investigations that are pending or threatened against or involving any Seller Group Plan or Foreign Seller Group Plan or asserting any rights to or claims for benefits under any Seller Group Plan or Foreign Seller Group Plan, except for such actions that have not had and would not, individually or in the aggregate, a be materially adverse to the Business.

(f) Except as set forth in Section 4.17(f) of the Seller Disclosure Letter: (i) none of the Conveyed Subsidiaries (or employers of Business Employees who are not as of Closing employed in a Conveyed Subsidiary) recognize a labor union (in the case of employers that are not Conveyed Subsidiaries or Subsidiaries thereof, excluding any labor union that does not represent the Business Employees) and none of the Business Employees are represented by any labor organization, works council or consultation body (other than industry-wide or national labor organizations) or subject to, or covered by, the terms of any material Collective Bargaining Agreement in connection with their services to the Business, (ii) no labor union, labor organization, works council or consultation body has made a demand for recognition or certification, and there are no representation or certification proceedings, union elections or, to the Knowledge of Seller Parent, union organizing activities, pending or threatened in writing with respect to the Business Employees, the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business, (iii) there are no pending or threatened in writing strikes, lockouts, work stoppages or slowdowns involving the Business Employees or against the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business and (iv) there is no unfair labor practice charge, labor arbitration or labor grievance proceeding pending or threatened in writing against the Business or the Conveyed Subsidiaries or their Affiliates with respect to the Business that would, in the case of

the foregoing clauses (iii) and (iv), individually or in the aggregate, be materially adverse to the Business. As of the date hereof, Seller Parent has provided copies to Purchaser of all material Collective Bargaining Agreements applicable to Business Employees, the Business or the Conveyed Subsidiaries or their Subsidiaries. Seller Parent, the Conveyed Subsidiaries and their respective Subsidiaries have satisfied any material pre-signing requirement to provide notice to, or enter into any information and consultation procedure with, any labor union, labor organization, works council or consultation body in connection with the execution of this Agreement or the transactions contemplated by this Agreement as required by any Contract or Laws.

(g) As of the Closing, Seller Parent represents that each Business Employee devotes, and has devoted seventy percent (70%) or more of his or her working time in the last twelve (12) months (or such shorter period he or she has been employed by Seller Parent and its Affiliates) to performing services on behalf of the Business.

(h) As at the date hereof, the Seller Internal Restructurings in France and Netherlands have been completed in accordance with applicable Laws (including obtaining requisite opinions from applicable works councils and employee representative bodies) such that there are no Business Employees employed in the Business in France or Netherlands other than those employed by a Conveyed Subsidiary.

(i) Except as required by plans, programs, or arrangements required to be maintained or contributed to by the Laws of a non-U.S. jurisdiction, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event), will cause any (i) payments to become due or payable to any Business Employee, Former Business Employee, current or former consultant or director, (ii) acceleration, vesting or increase in any compensation or benefits to any Business Employee, Former Business Employee, current or former consultant or director, or (iii) Conveyed Subsidiary (or a Subsidiary thereof) to transfer or set aside any assets to fund any benefits under any Conveyed Subsidiary Plan, or limit or restrict in any material respect the right of Purchaser or any of its Affiliates or any Conveyed Subsidiary (or a Subsidiary thereof) to amend, terminate or transfer the assets of any Conveyed Subsidiary Plan. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will constitute a “change in ownership or control” or “change in effective control” of Seller Parent within the meaning of Section 280G of the Code. No Conveyed Subsidiary (or any Subsidiary thereof) is party to any plan, program, policy or arrangement providing for the “gross-up” or other compensation to any individual because of the imposition of any Tax on any payment to the individual related to Section 4999 or Section 409A of the Code.

Section 4.18 Global Trade Controls; Anti-Corruption Matters.

(a) The Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), as well as their respective directors, officers, and employees, are in compliance with all Global Trade Control Laws, including possession of and compliance with Governmental Authorizations required by Global Trade Control Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to the Business.

(b) The Sellers (with respect to the Business) and the Conveyed Subsidiaries (and their Subsidiaries) do not engage in any business with, or use, directly or indirectly, any corporate funds to contribute to or finance the activities of, any Restricted Party or in any Restricted Market except as permitted by Governmental Authorization, except as would not, individually or in the aggregate, be materially adverse to the Business.

(c) None of the Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), nor any of their respective directors, officers, and employees, is a Restricted Party or owned or controlled by a Restricted Party.

(d) To Seller Parent's Knowledge, the Sellers (with respect to the Business), the Conveyed Subsidiaries (and their Subsidiaries), as well as their respective directors, officers, and employees are in compliance with all Anti-Corruption Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to the Business. For purposes of this Section 4.18(d) only, "Seller Parent's Knowledge" means that the conduct giving rise to the noncompliance with or violation of Anti-Corruption Law was reported to the Compliance Division of Seller Parent and such conduct is or was the subject of a Compliance Division investigation on or prior to the Closing Date.

(e) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 4.18 are the sole and exclusive representations and warranties of Seller Parent with respect to Global Trade Control Laws and Anti-Corruption Laws.

Section 4.19 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller Parent for which Purchaser or any of its Affiliates (including, after the Closing, the Conveyed Subsidiaries or their Subsidiaries) would be liable. Seller Parent is solely responsible for the fees and expenses of Centerview Partners, LLC, Guggenheim Securities, LLC and Morgan Stanley & Co. LLC.

Section 4.20 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Seller Parent, the other Sellers, the Conveyed Subsidiaries or any of their respective Subsidiaries or Affiliates, the Purchased Assets, the Business or with respect to any other information provided, or made available, to Purchaser Parent, Purchaser or any of their Affiliates or Representatives in connection with the transactions contemplated hereby. Except as expressly set forth in the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent nor any of its Affiliates, Representatives or any other Person has made any representation or warranty, express or implied, as to the prospects of the Business or its profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Purchaser Parent, Purchaser or any of their Affiliates or Representatives in connection with Purchaser Parent's and Purchaser's review of the Business and

the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information. Except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Purchaser Parent, Purchaser, their Affiliates or Representatives or any other Person resulting from the sale and purchase of the Purchased Assets, or the Business to Purchaser Parent, Purchaser or their Affiliates or Purchaser Parent's or Purchaser's use of, or the use by any of their Affiliates or Representatives of, any information, including information, documents, projections, forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Purchaser Parent, Purchaser, their Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Seller Parent, the other Sellers or any of their respective Affiliates or Representatives, or Purchaser Parent, Purchaser or their Affiliates or Representatives. Each of Seller Parent and the other Sellers and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in this Article IV or in any Ancillary Implementing Agreement. Notwithstanding anything to the contrary contained in this Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates makes any express or implied representation or warranty with respect to Excluded Assets, Retained Businesses or Retained Liabilities.

(b) Seller Parent acknowledges and agrees that, except for the representations and warranties contained in Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Purchaser Parent, Purchaser or any of their respective Subsidiaries or Affiliates, the Purchaser Business or with respect to any other information provided, or made available, to Seller Parent or any of its Affiliates or Representatives in connection with the transactions contemplated hereby. Seller Parent acknowledges and agrees that, except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Seller Parent or any of its Affiliates or Representatives or any other Person resulting from Seller Parent's use of, or the use by any of its Affiliates or Representatives of any information, including information, documents, projections, forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Seller Parent or any of its Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives. Seller Parent acknowledges and agrees that it is not relying on any representation or warranty of Purchaser Parent, Purchaser, or any of their Affiliates or Representatives or any other Person, other than those representations and warranties specifically set forth in Article V or in any Ancillary Implementing Agreement. Seller

Parent acknowledges and agrees that each of Purchaser Parent and Purchaser and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in Article V or in any Ancillary Implementing Agreement. Seller Parent acknowledges and agrees that neither Purchaser Parent, Purchaser nor any of their respective Affiliates makes any express or implied representation or warranty with respect to the Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities.

(c) Seller Parent acknowledges that it has conducted to its satisfaction an independent investigation of the financial condition, results of operations and projected operations of Purchaser and the Purchaser Business and the nature and condition of its properties, assets, liabilities and businesses and, in making the determination to proceed with the transactions contemplated hereby, has relied solely on the results of its own independent investigation and the representations and warranties set forth in Article V or any Ancillary Implementing Agreement. In light of these inspections and investigations and the representations and warranties made to Seller Parent by Purchaser Parent in Article V or in any Ancillary Implementing Agreement, Seller Parent is relinquishing any right to any claim based on any representations and warranties other than those specifically included in Article V or in any Ancillary Implementing Agreement. Any claims Seller Parent may have for breach of representation or warranty shall be based solely on the representations and warranties of Purchaser Parent set forth in Article V or in any Ancillary Implementing Agreement.

(d) Seller Parent acknowledges that, except as explicitly set forth herein, neither Purchaser Parent, Purchaser nor any of their Affiliates has made any warranty, express or implied, as to the prospects of Purchaser or the Purchaser Business or their profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Seller Parent or any of its Affiliates or Representatives in connection with Seller Parent's review of the Purchaser Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER PARENT

Except as set forth in the Purchaser Parent Disclosure Letter and in accordance with Section 10.8, Purchaser Parent hereby represents and warrants to Seller Parent and Purchaser as follows:

Section 5.1 Organization. Each of Purchaser Parent and Purchaser is validly existing and is a company duly incorporated and registered under the laws of England.

Section 5.2 Authority; Binding Effect.

(a) Purchaser Parent, Purchaser and each applicable Purchaser Designated Affiliate have all requisite corporate or other similar applicable power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it will be a party, and, subject to receipt of the Purchaser Parent Shareholder Approval, to perform their obligations hereunder and thereunder. The execution and delivery by Purchaser Parent and Purchaser of this Agreement and, subject to receipt of the Purchaser Parent Shareholder Approval, the performance by Purchaser Parent and Purchaser of their obligations hereunder have been, and the execution and delivery by Purchaser Parent, Purchaser and each Purchaser Designated Affiliate of each Ancillary Agreement to which it will be a party and the performance by Purchaser Parent, Purchaser and such Purchaser Designated Affiliates of their obligations thereunder have been or will have been as of the Closing, duly authorized by all requisite corporate or other similar applicable action. At a meeting duly called and held, the Board of Directors of Purchaser Parent has unanimously (i) approved this Agreement and the Sale and the other transactions contemplated hereby in accordance with applicable Law, (ii) directed that the Purchaser Parent Shareholder Circular be prepared and, subject to the approval of that circular by the UKLA, published in accordance with the terms of this Agreement, (iii) subject to the publication of the Purchaser Parent Shareholder Circular and Section 6.24(f), resolved that the Purchaser Parent Shareholder Meeting be convened for the purpose of obtaining the Purchaser Parent Shareholder Approval and (iv) resolved, subject to Section 6.24(f), to (1) unanimously recommend approval by Purchaser Parent's shareholders of the Purchaser Parent Shareholder Approval Resolution to Purchaser Parent's shareholders, including in the Purchaser Parent Shareholder Circular, without qualification, and (2) state in the Purchaser Parent Shareholder Circular that the Sale and the other transactions contemplated by this Agreement are, in the Board of Directors of the Purchaser Parent's opinion, fair and reasonable so far as the Purchaser Parent shareholders are concerned and that the Board of Directors have been so advised by Citigroup Global Markets Limited and J.P. Morgan Securities plc (such recommendation and statement being together, the "Purchaser Parent Board Recommendation"). As of the date of this Agreement, the Board of Directors of Purchaser Parent has not subsequently rescinded, modified or withdrawn any of the foregoing resolutions. The approval of the Sale and the other transactions contemplated by this Agreement by the holders of ordinary shares of Purchaser Parent, by way of approval of the Purchaser Parent Shareholder Approval Resolution at the Purchaser Parent Shareholder Meeting (the "Purchaser Parent Shareholder Approval") is the only Approval required from the holders of Purchaser Parent's ordinary shares or other securities of Purchaser Parent or its Affiliates in connection with the consummation of the Sale and the other transactions contemplated by this Agreement.

(b) Purchaser Parent, Purchaser and each Subsidiary of Purchaser has, or will have as of the Closing, all requisite corporate or other similar applicable power and authority to carry on its respective business as it pertains to the Purchaser Business as currently conducted and to own, lease and operate its properties and assets related to the Purchaser Business, except where the failure to have such power and authority would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date. Purchaser is duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) This Agreement has been duly executed and delivered by Purchaser Parent and Purchaser and, assuming this Agreement has been duly executed and delivered by Seller Parent, constitutes a legal, valid and binding obligation of Purchaser Parent and Purchaser, and each Ancillary Agreement will be as of the Closing duly executed and delivered by Purchaser Parent, Purchaser and each Purchaser Designated Affiliate which will be a party thereto and will, assuming such Ancillary Agreement has been duly executed and delivered by each Seller that will be a party thereto, constitute a legal, valid and binding obligation of Purchaser Parent, Purchaser and such Purchaser Designated Affiliate, in each case enforceable against Purchaser Parent, Purchaser and such Purchaser Designated Affiliate (as applicable) in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law).

Section 5.3 Purchaser; Purchaser Subsidiaries; Capital Structure.

(a) As of the date hereof, the issued share capital of Purchaser is 63,500 ordinary shares. All of the issued ordinary shares of Purchaser have been validly issued, fully paid and non-assessable, and are not subject to, and were not issued in violation of, any preemptive right. The B Ordinary Shares, when issued in accordance with this Agreement at Closing, will be validly issued, fully paid and non-assessable, and will not be issued in violation of any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any of its shares, or any securities convertible into or exchangeable for its shares. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, shareholder agreements, proxies or other Contracts in effect with respect to the sale or voting of any of the shares of Purchaser. A wholly owned Subsidiary of Purchaser Parent owns legally and beneficially as of the date of this Agreement, and will own legally and beneficially as of immediately prior to the Closing, all of the issued shares in the capital of Purchaser, free and clear of all Liens except for Liens arising under applicable securities Laws. As of and immediately following the Closing, after giving effect to the Sale and the issuance of the Purchase Consideration, a wholly owned Subsidiary of Purchaser Parent will own legally and beneficially 680,000 A Ordinary Shares and 300,000 Preference Shares, and Seller Parent (or its applicable designee(s)) will own legally and beneficially 320,000 B Ordinary Shares, in each case on the terms and subject to the rights and restrictions set forth in the Restated Purchaser Articles of Association and the Purchaser Shareholders Agreement, which such shares shall together constitute the entire issued share capital of Purchaser, and there will be no other ordinary shares, preference shares or other equity interests, or warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any shares, or any other equity interests, or any securities convertible into or exchangeable for shares, or any other equity interests, of Purchaser.

(b) Each Subsidiary of Purchaser is, or will be as of the Closing, a corporation, partnership or other legal entity duly organized and validly existing under the laws of its jurisdiction of organization, with all requisite corporate or other similar applicable power and authority to own, lease and operate its properties and assets and to carry on its respective business, as currently conducted, except where the failure to be so organized or existing or to have such power and authority would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Each Subsidiary of Purchaser is duly qualified to do business and, where applicable, in good standing in each jurisdiction where the nature of its business or properties makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Section 5.3(b) of the Purchaser Parent Disclosure Letter sets forth (i) the name and the jurisdiction of organization of each Subsidiary of Purchaser and (ii) the record owners of such outstanding equity interests. All of the issued and outstanding equity interests of each Subsidiary of Purchaser are validly issued, fully paid and, in the case of any Subsidiary of Purchaser which is a corporation, non-assessable, and are not subject to, and were not issued in violation of, any preemptive right. As of the Closing, there will be no outstanding warrants, options, agreements, subscriptions, convertible or exchangeable securities or other commitments pursuant to which any Subsidiary of Purchaser is or may become obliged to issue, sell, purchase, return, redeem or otherwise acquire any equity interests of any Subsidiary of Purchaser, or any securities convertible into or exchangeable for any equity interests of any Subsidiary of Purchaser. As of the Closing, there will be no rights of first refusal, rights of first offer, voting trusts, stockholder agreements, proxies or other Contracts in effect with respect to the sale or voting of the equity interests of any Subsidiary of Purchaser. Purchaser or another wholly owned Subsidiary of Purchaser owns legally and beneficially, or will own legally and beneficially as of the Closing, all of the issued and outstanding equity interests of each Subsidiary of Purchaser, free and clear of all Liens except for Liens arising under applicable securities Laws. Except for the equity interests of the Subsidiaries of Purchaser, Purchaser and its Subsidiaries do not own any other equity interests of any Person.

Section 5.4 No Conflicts; Consents. Subject to the receipt of the Purchaser Parent Shareholder Approval, the execution, delivery and performance by Purchaser Parent and Purchaser of this Agreement and each Ancillary Implementing Agreement by Purchaser Parent, Purchaser or a Purchaser Designated Affiliate party to such Ancillary Implementing Agreement, and the consummation of the transactions contemplated hereby and thereby by Purchaser Parent, Purchaser and such Purchaser Designated Affiliate, do not and will not (a) violate any provision of the articles of association or equivalent organizational documents of Purchaser Parent, Purchaser or any of their Affiliates, (b) subject to obtaining the consents set forth in Section 5.4 of the Purchaser Parent Disclosure Letter, result in a violation of, or require the consent of any Person pursuant to, or conflict with, constitute a default under, or result in the breach or termination, cancellation or acceleration (whether with or without the giving of notice or the lapse of time or both) of any right or obligation of (or to the loss of any benefit of) Purchaser Parent, Purchaser or any of their Affiliates under any Purchaser Material Contract or Purchaser Real Property Lease, or result in the imposition of a Lien on any assets, properties or rights, other than Purchaser Permitted Liens, relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, or (c) assuming compliance with the matters set forth in Sections 4.5 and 5.5, violate or result in a breach of or constitute a default under any Law, Governmental Authorization or other restriction of any Governmental Authority to which Purchaser Parent, Purchaser or any of their Affiliates is subject, except, with respect to clauses (b) and (c), as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date.

Section 5.5 Governmental Authorization. The execution, delivery and performance of this Agreement by Purchaser Parent and Purchaser and each Ancillary Implementing Agreement by any of Purchaser Parent, Purchaser or any Purchaser Designated Affiliate party thereto does not require any Approval of, or Filing with, any Governmental Authority, except for (a) the expiration or early termination of the applicable waiting period under the HSR Act, (b) the Approvals and Filings set forth in Section 5.5 of the Purchaser Parent Disclosure Letter, (c) Approvals and Filings which if not obtained or made would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business or prevent or reasonably be expected to prevent Purchaser Parent, Purchaser or any Purchaser Designated Affiliate from consummating the Closing prior to the Outside Date, and (d) the Approvals and Filings required due to the regulatory obligations of Seller Parent or any of its Subsidiaries.

Section 5.6 Financial Information.

(a) Section 5.6(a) of the Purchaser Parent Disclosure Letter contains copies of (i) the unaudited balance sheet of Purchaser Business as of September 30, 2018, June 30, 2018 and March 31, 2018 (the "Purchaser Working Capital Statements") and (ii) the audited balance sheet of the Purchaser Business as of December 31, 2017, December 31, 2016, and December 31, 2015, and the related audited income statement for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 (the "Audited Purchaser Financial Statements") (the foregoing clauses (i) and (ii) collectively, and together with any notes thereto, the "Purchaser Financial Statements").

(b) Except as set forth in Section 5.6(b) of the Purchaser Parent Disclosure Letter or as noted in the Audited Purchaser Financial Statements, the Audited Purchaser Financial Statements were prepared in accordance with IFRS, on a consistent basis for each period presented and present a true and fair view of (x) the state of affairs of the Purchaser Business as of the dates therein specified and (y) the results of operations of the Purchaser Business for the periods indicated. The Purchaser Working Capital Statements were prepared using principles, procedures, policies and methods consistent in all material respects with those used in the preparation of the balance sheet of the Purchaser Business as of the Balance Sheet Date included in the Audited Purchaser Financial Statements.

(c) Except as set forth in Section 5.6(c) of the Purchaser Parent Disclosure Letter, the Purchaser Business does not have any Indebtedness or other Liabilities of any nature or kind whatsoever (whether accrued, known or unknown, absolute, contingent or otherwise) that would be required to be reflected on a balance sheet of the Purchaser Business prepared in accordance with IFRS, except for (i) Liabilities accrued for, reflected on, disclosed and/or reserved against on the Purchaser Financial Statements, (ii) Liabilities incurred subsequent to the Balance Sheet Date in the ordinary course of business, (iii) Liabilities taken into account in the Final Closing Statement, Final Purchaser Working Capital or Final Purchaser Net Cash, (iv) Liabilities incurred in connection with or arising out of the transactions contemplated hereby, (v) Liabilities disclosed or set forth in the Purchaser Disclosure Letter and (vi) Liabilities which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

Section 5.7 Absence of Material Changes. Except as otherwise contemplated by this Agreement and the transactions contemplated hereby (including in connection with the review of strategic alternatives with respect to the Purchaser Business), since December 31, 2017 (a) there has not been any Purchaser Material Adverse Effect and (a) until the date of this Agreement, the Purchaser Business has been operated, in all material respects, in the ordinary course of business.

Section 5.8 Securities Act. Purchaser is acquiring the Shares solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act. Purchaser acknowledges that the Shares are not registered under the Securities Act, any applicable state securities Laws or any applicable foreign securities Laws, and that such Shares may not be transferred or sold except pursuant to the registration provisions of the Securities Act and applicable state and foreign securities Laws or pursuant to an applicable exemption therefrom. Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment.

Section 5.9 No Litigation. Except as set forth in Section 5.9 of the Purchaser Parent Disclosure Letter, there is no Action pending or, to the Knowledge of Purchaser Parent, threatened against Purchaser or any of its Subsidiaries, or against Purchaser Parent or any of its Affiliates relating to the Purchaser Business or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, before any Governmental Authority or arbitration tribunal other than Actions which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Neither Purchaser nor any of its Affiliates is subject to any outstanding Governmental Order which would, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

Section 5.10 Compliance with Laws. Except as set forth in Section 5.10 of the Purchaser Parent Disclosure Letter:

(a) Purchaser Parent and its Subsidiaries (including Purchaser and its Subsidiaries) are, and for the last three (3) years have been, in compliance with all Laws applicable to the ownership, lease or operation of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries and the Purchaser Business, including (i) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §301 et seq. and applicable binding implementing regulations issued by the U.S. Food and Drug Administration, (ii) the applicable Laws of the European Union and applicable binding implementing regulations issued by applicable Governmental Authorities in those jurisdictions in the European Union in which the Purchaser Business markets, commercializes, distributes and sells Purchaser Products, or otherwise operates, or has marketed, commercialized, distributed or sold Purchaser Products, or otherwise operated, in the last three (3) years (including European Union's Directive 95/46/EC, as amended, and Regulation EU 2016/679 (the General Data Protection Regulation), and any national implementing legislation of the foregoing) and (iii) the applicable Laws of any other jurisdiction in which the Purchaser Business markets, commercializes, distributes and sells Purchaser Products, or otherwise operates, or has marketed, commercialized, distributed or sold Purchaser Products, or otherwise operated, in the last three (3) years, except in the case of each of the foregoing clauses (i), (ii) and (iii) to the extent that the failure to comply therewith would not, individually or in the aggregate, be materially adverse to the Purchaser Business.

(b) Purchaser and its Subsidiaries collectively possess all Governmental Authorizations necessary for the conduct of the Purchaser Business, as currently conducted, and each such Governmental Authorization is in full force and effect, except where the failure to possess any such Governmental Authorization or the failure of such Governmental Authorization to be in full force and effect would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole.

Section 5.11 Product Registrations; Manufacturing Registrations; Regulatory Compliance; Product Liability and Recalls.

(a) Except with respect to Purchaser Environmental Permits (which are the subject of Section 5.12):

(i) Purchaser and its Subsidiaries own, possess or validly have the right to use all Governmental Authorizations required to research, develop, manufacture, market, commercialize, distribute, test, use, store and sell the Purchaser Products, except where the failure to so own, possess or validly have such right would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole;

(ii) All Purchaser Products sold under the Purchaser Product Registrations are manufactured and marketed in accordance with the specifications and standards contained in such Purchaser Product Registrations, and the applicable Purchaser Manufacturing Registrations, except where the failure to comply therewith would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business; and

(iii) Except as set forth in Section 5.11(a)(iii) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser is, or will be as of the Closing, the sole and exclusive owner of each Purchaser Product Registration and Purchaser Manufacturing Registration.

(b) Except as set forth in Section 5.11(b) of the Purchaser Parent Disclosure Letter, there is no Action pending, or, to the Knowledge of Purchaser Parent, threatened, against Purchaser or any of its Subsidiaries or relating to the Purchaser Business or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries (i) arising from complaints, allegations or Actions relating to any injury to person or property or as a result of ownership, possession, provision or use of any of the Purchaser Products that were manufactured, processed, distributed, shipped or sold prior to the date of this Agreement or (ii) relating to any alleged hazard or alleged defect in design, manufacture, materials or workmanship, including any failure to warn or alleged breach of express or implied warranty or representation, relating to the Purchaser Products, except in the case of each of the foregoing clauses (i) and (ii), for Actions which would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) Except as set forth in Section 5.11(c) of the Purchaser Parent Disclosure Letter, since January 1, 2016, there have been no recalls or market withdrawals of Purchaser Products and, to the Knowledge of Purchaser Parent, no facts or circumstances exist that would reasonably be expected to result in recalls or market withdrawals of Purchaser Products that would, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(d) Notwithstanding any other provision of this Agreement, this Section 5.11 sets forth the sole and exclusive representations and warranties of Purchaser Parent with respect to Purchaser Product Registrations and Purchaser Manufacturing Registrations, products liability and product recalls, and the other regulatory matters described in this Section 5.11.

Section 5.12 Environmental Matters. Except as set forth in Section 5.12 of the Purchaser Parent Disclosure Letter:

(a) (i) Purchaser Parent and its Subsidiaries (in each case, with respect to the Purchaser Business), Purchaser and its Subsidiaries, the Purchaser Business (as currently or formerly conducted), the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, and the Purchaser Real Property are and have been since January 1, 2016 in compliance with all applicable Environmental Laws and Governmental Authorizations required under Environmental Law (including Purchaser Environmental Permits); (ii) neither Purchaser Parent nor its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) are undertaking or required to undertake any Remedial Action at the Purchaser Facilities or any property formerly owned, leased or operated by Purchaser or its Subsidiaries (or any of their respective predecessors) or by the Purchaser Business (as currently or formerly conducted); and (iii) since January 1, 2016, neither Purchaser Parent nor its Subsidiaries has received written notice from a Governmental Authority or other Person that it is subject to any unresolved enforcement action or Liability with respect to Purchaser or its Subsidiaries, the Purchaser Business (as currently or formerly conducted), the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, or the Purchaser Facilities under any applicable Environmental Laws or Purchaser Environmental Permits, except for such noncompliance, Remedial Actions, Liabilities or enforcement actions that would not, individually or in the aggregate, be materially adverse to the Purchaser Business;

(b) all Governmental Authorizations (including Purchaser Environmental Permits) required of Purchaser Parent and its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) under all applicable Environmental Laws have been obtained and are held by Purchaser or a Subsidiary of Purchaser, except for such failures to obtain as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole; and

(c) no Actions or written claims are pending or, to the Knowledge of Purchaser Parent, threatened against Purchaser Parent or its Subsidiaries (in each case, with respect to the Purchaser Business or the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries) arising from or as a result of, and there have been no (i) exposures to Hazardous Materials, including on, in, under, about or from the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or at the Purchaser Facilities, (ii) Releases of Hazardous Materials, including at, on, in, under, or from any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or from any Purchaser Facilities, (iii) off-site treatment, storage or disposal of Hazardous Materials generated by the Purchaser Business (as currently or formerly conducted), Purchaser Parent or its Subsidiaries (with respect to the Purchaser Business) or Purchaser or its Subsidiaries or (iv) any violations of any Environmental Laws arising, directly or indirectly, in connection with the Purchaser Business (as currently or formerly conducted) or any of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries or Purchaser Facilities, in each case that has resulted or would result in Environmental Liability, except for such claims, Actions, Environmental Liabilities or investigations that would not, individually or in the aggregate, be materially adverse to the Purchaser Business.

(d) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.12 are the sole and exclusive representations and warranties of Purchaser Parent with respect to Environmental Laws, Purchaser Environmental Permits, Environmental Liabilities, Hazardous Materials and other environmental matters.

Section 5.13 Material Contracts.

(a) Except (x) for Contracts entered into after the date of this Agreement, (y) for intercompany agreements solely between or among Purchaser (or any of its Subsidiaries) and any of its Subsidiaries or that shall be terminated as of or prior to the Closing Date in accordance with Section 6.7 or (z) as set forth in Section 5.13(a) of the Purchaser Parent Disclosure Letter, neither Purchaser Parent nor any of its Affiliates is a party to or bound by any Contract in effect as of the date hereof that is material to Purchaser or the Purchaser Business, taken as a whole (a "Purchaser Material Contract").

(b) Except as set forth in Section 5.13(b) of the Purchaser Parent Disclosure Letter, (i) except as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business, each Purchaser Material Contract is legal, valid and binding on Purchaser or its Subsidiary that is a party thereto and, to the Knowledge of Purchaser Parent, each other party thereto, and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), and (ii) neither Purchaser Parent nor any of its Affiliates or, to the Knowledge of Purchaser Parent, any other party thereto, is in breach of, or default under, any such Purchaser Material Contract, except for such breaches or defaults as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Neither Purchaser nor any of its Subsidiaries is a party to or bound by any Contract that contains any non-compete or similar provision that would materially limit or impair Seller Parent or any of the Retained Subsidiaries' ability to operate the Retained Businesses after the Closing.

(c) Section 5.13(c) of the Purchaser Parent Disclosure Letter lists all material Purchaser Related Party Contracts.

Section 5.14 Intellectual Property.

(a) To the Knowledge of Purchaser Parent (but only as to validity and enforceability), as of the date of this Agreement, except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, all issued Patent Rights, pending applications for Patent Rights, registered Trademarks, pending Trademark registration applications and registered Copyrights that are included in the Purchaser IP (collectively, the "Registered Purchaser IP") are in effect and subsisting, and, if registered, not invalid or unenforceable. The Purchaser Trademark Rights, together with Trademarks that are licensed to Purchaser or its Subsidiaries by Purchaser Parent or its Subsidiaries or by a third party, include all of the Purchaser Key Brands.

(b) All material Purchaser IP and Purchaser Licensed IP shall be, following the Closing, transferable and licensable (or sublicensable as the case may be) by Purchaser and its Subsidiaries, without payment of any kind to Purchaser Parent or any Affiliate of Purchaser Parent, as may be needed in the ordinary course of the operation of the Purchaser Business, and shall be fully transferable, assignable and assumable, as the case may be, without payment of any kind to Purchaser Parent or any Affiliate of Purchaser Parent, in connection with a change of control (that constitutes an assignment) of Purchaser or any Listing Transaction (as defined in the Purchaser Shareholders Agreement) or the sale of substantially all of the assets of a business unit of Purchaser to the extent such Purchaser IP or Purchaser Licensed IP is related to such business unit.

(c) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, and taking into account Section 6.22, the Purchaser IP and the Purchaser Licensed IP constitutes all of the Intellectual Property owned by either Purchaser Parent or any of its Subsidiaries or Purchaser or any of its Subsidiaries that is used or held for use in, or that is necessary for, the conduct of the Purchaser Business as conducted as of the date of this Agreement. The operation of the Purchaser Business immediately following the Closing will not infringe any of Purchaser Parent's or any of its Affiliates' Intellectual Property.

(d) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, (x) the conduct of the Purchaser Business does not, to the Knowledge of Purchaser Parent, infringe, misappropriate or otherwise violate the Intellectual Property of any Person and (y) as of the date of this Agreement, there is no Action pending or, to the Knowledge of Purchaser Parent, threatened in writing against Purchaser Parent or any of its Affiliates (i) alleging any such infringement, misappropriation, or other violation, or (ii) challenging the validity, enforceability, ownership, use, registrability, or patentability of the Purchaser IP, other than ordinary course prosecution proceedings associated with the application for or registration of Registered Purchaser IP.

(e) Except as would not, individually or in the aggregate, be materially adverse to the Purchaser Business, as of the date of this Agreement, to the Knowledge of Purchaser Parent, no Person is infringing, misappropriating or otherwise violating any Purchaser IP and as of the date of this Agreement, no such Actions are pending or, to the Knowledge of Purchaser Parent, threatened against any Person by Purchaser Parent or any of its Affiliates.

(f) Purchaser or its Subsidiaries, as applicable, are the sole legal owners of all Registered Purchaser IP that is owned or purported to be owned by Purchaser or its Subsidiaries. None of the Registered Purchaser IP or any other material Purchaser IP is subject to any Lien, other than Purchaser Permitted Liens.

(g) Since January 1, 2016, to the Knowledge of Purchaser Parent, there (i) have been no failures of the Purchaser IT Systems that have materially and adversely impacted the conduct of the Purchaser Business and (ii) has been no unauthorized access, loss, use or breach of security with respect to the Purchaser IT Systems or any material sensitive, confidential or proprietary information (including personally identifiable information) relating to the Purchaser Business that have materially and adversely impacted the Purchaser Business.

(h) Except for the Trademarks licensed by Purchaser Parent or any of its Subsidiaries (other than Purchaser and its Subsidiaries) to Purchaser or any of its Subsidiaries under a Purchaser Ancillary Agreement (the "Purchaser Licensed Trademark Rights"), and taking into account Section 6.22, as of the Closing Date, the Purchaser Trademark Rights will include all material Trademarks under which the Purchaser Business operates that are owned by Purchaser Parent or any Subsidiary of Purchaser Parent. The Purchaser Licensed Trademark Rights are licensed to Purchaser or one or more of its Subsidiaries by Purchaser Parent or its Subsidiaries (other than Purchaser and its Subsidiaries) on a perpetual, royalty free basis, and such license is (i) exclusive in the field in which the Purchaser Business operates (subject to limited exceptions to exclusivity for brands managed by Purchaser Parent's Affiliates' pharmaceutical division, rights granted to third parties prior to the date licensed to Purchaser Parent, brands used for both prescription and non-prescription products, and products switched from prescription to non-prescription sales) and (ii) non-terminable solely due to a change of control of Purchaser or the occurrence of any Listing Transaction (as defined in the Purchaser Shareholders Agreement) and assignable, without restriction, on the sale of substantially all of the assets of a business unit of Purchaser to the extent such Purchaser Licensed Trademarks is related to such business unit.

(i) Notwithstanding any provision of this Agreement to the contrary, except with respect to Section 5.7, Section 5.13, and this Section 5.14 sets forth the sole and exclusive representations and warranties of Purchaser Parent with respect to Intellectual Property.

Section 5.15 Real Property.

(a) Except as set forth in Section 5.15(a)(i) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has insurable title in fee simple to the Owned Purchaser Real Property, free and clear of any Liens, other than Purchaser Permitted Liens. Except as set forth in Section 5.15 (a)(ii) of the Purchaser Parent Disclosure Letter or as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, neither Purchaser Parent nor any of its Subsidiaries is leasing or otherwise granting to any third party the right to use or occupy any Owned Purchaser Real Property or any portion thereof.

(b) Except as set forth in Section 5.15(b)(i) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has a valid leasehold interest and valid and continuing right to use and occupy each Leased Purchaser Real Property pursuant to a Purchaser Real Property Lease. Except (x) as set forth in Section 5.15(b)(ii) of the Purchaser Parent Disclosure Letter or (y) as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, (i) each Purchaser Real Property Lease is legal, valid and binding on Purchaser or its Subsidiary party thereto and, to the Knowledge of Purchaser Parent, each other party thereto and is in full force and effect, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar Laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law), (ii) neither Purchaser Parent nor any of its Subsidiaries or, to the Knowledge of Purchaser Parent, any other party thereto, is in breach of, or default under, any such Purchaser Real Property Lease and (iii) neither Purchaser Parent nor any of its Subsidiaries is leasing or otherwise granting to any third party the right to use or occupy any Purchaser Leased Real Property or any portion thereof.

(c) Except as set forth in Section 5.15(c) of the Purchaser Parent Disclosure Letter, (i) no certificate, permit or license from any Governmental Authority having jurisdiction over any of the Purchaser Real Property, or any Contract, easement or other right which is necessary to permit the lawful occupancy of the buildings and improvements on any of the Purchaser Real Property or which is necessary to permit the lawful use of all driveways, roads and other means of egress and ingress to and from any of the Purchaser Real Property, in each case, with respect to the Purchaser Business, has not been obtained or, to the Knowledge of Purchaser Parent, is not in full force and effect, which would, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, and (ii) neither Purchaser Parent or any of its Subsidiaries (in respect of the Purchaser Business) or Purchaser or its Subsidiaries has received any written notice from any Governmental Authority that the Purchaser Real Property is currently in violation of any applicable Law that would, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole.

(d) Section 5.15(d)(i) of the Purchaser Parent Disclosure Letter sets forth each manufacturing and research and development facility at which Purchaser Products are manufactured or developed that is owned or operated by Purchaser Parent or its Subsidiaries (the "Purchaser Facilities"). Except as set forth in Section 5.15(d)(ii) of the Purchaser Parent Disclosure Letter, Purchaser or a Subsidiary of Purchaser has insurable title in fee simple to, or a valid leasehold interest and valid and continuing right to use and occupy, each Purchaser Facility.

Section 5.16 Assets.

(a) Except as otherwise provided in this Agreement or as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole, Purchaser or its Subsidiaries have, or will have as of the Closing, good and valid title to, or other legal rights to possess and use, all of the assets, properties and rights Relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, free and clear of any Liens other than Purchaser Permitted Liens.

(b) Except as set forth in Section 5.16(b) of the Purchaser Parent Disclosure Letter and as would not, individually or in the aggregate, materially impair the operations of Purchaser or the Purchaser Business, taken as a whole (assuming all consents and Approvals as may be required in connection with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements have been obtained; provided, that no such assumption shall be made to the extent Purchaser Parent is not in compliance with its obligations under Section 2.2 or Section 6.3 of this Agreement), together with the benefits, services, assets, licenses, sublicenses and other rights and benefits to be provided to Purchaser and its Subsidiaries pursuant to this Agreement, the Ancillary Agreements and the Purchaser Ancillary Agreements, the assets, properties and rights owned, or leased and licensed from third parties, by Purchaser or its Subsidiaries do and will following the Closing, in the aggregate, constitute all of the assets either used in or necessary for Purchaser and its Subsidiaries to conduct the Purchaser Business as conducted as of the date of this Agreement and as of the Closing.

(c) Except as set forth in Section 5.16(c) of the Purchaser Parent Disclosure Letter, there are no material assets, properties or rights that are used or held for use by Purchaser or any Subsidiary of Purchaser or necessary for the conduct of the Purchaser Business and owned or controlled by Purchaser Parent or any Affiliate of Purchaser Parent (other than Purchaser or a Subsidiary of Purchaser).

(d) Purchaser and its Subsidiaries are not, or will not at Closing be, directly or indirectly, engaged in any Purchaser Parent Retained Businesses, and do not, or will not at Closing, hold and are not, or will not at Closing be, subject to any Purchaser Parent Retained Liability or assets, properties and rights not relating to the Purchaser Business (other than non-material or ministerial liabilities, assets, rights or properties).

Section 5.17 Taxes.

(a) All income and other material Tax Returns that are required to be filed by (i) Purchaser or any Subsidiary of Purchaser or (ii) in respect of the Purchaser Business have, in each case, been timely filed (taking into account any applicable extensions), and all such Tax Returns are true, correct and complete in all material respects.

(b) All income and other material Taxes required to be paid by (i) Purchaser or any Subsidiary of Purchaser or (ii) in respect of the Purchaser Business have, in each case, been timely paid (taking into account any applicable extensions).

(c) Purchaser and its Subsidiaries, and Purchaser Parent and its Subsidiaries with respect to the Purchaser Business, have deducted or withheld and paid over to the applicable Taxing Authority all material Taxes required to have been deducted or withheld and paid over in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and Purchaser and each of its Subsidiaries, and Purchaser Parent and each of its Subsidiaries with respect to the Purchaser Business, has (if required by any applicable Laws to do so) provided appropriate certificates of deduction.

(d) There are no Liens for material Taxes upon any of the assets relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, except for Purchaser Permitted Liens.

(e) Within the past three (3) years, neither Purchaser nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355(a) of the Code.

(f) There are no current or pending audits, examinations, contests or other Actions with respect to material Taxes of Purchaser or any Subsidiary of Purchaser or of Purchaser Parent or any of its Subsidiaries with respect to the Purchaser Business, and no such audits, examinations, contests or other Actions have been threatened in writing.

(g) There are no outstanding powers of attorney granted by Purchaser or any Subsidiary of Purchaser with respect to material Taxes for any taxable period beginning after the Closing Date, other than powers of attorney granted to Purchaser or another Subsidiary of Purchaser.

(h) Neither Purchaser nor any Subsidiary of Purchaser is party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (other than (x) any such agreement or arrangement solely between or among Purchaser and/or any of the Subsidiaries of Purchaser and (y) provisions contained in commercial agreements or arrangements the primary purpose of which is not Taxes (including employment agreements, credit agreements, leases and supply or manufacturing agreements)).

(i) Neither Purchaser nor any Subsidiary of Purchaser is or has been party to any "listed transaction" as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4. Neither Purchaser nor any Subsidiary of Purchaser has at any time entered into or been engaged in or been a party to or promoter of any scheme, transaction or arrangement which was required by Law to be specifically disclosed to a Taxing Authority or a main or dominant purpose or object of which was the avoidance or deferral of or the obtaining of a reduction in or other advantage in respect of any Taxes.

(j) In the last three (3) years, no claim has been made in writing by any Taxing Authority in any jurisdiction in which Purchaser or any Subsidiary of Purchaser, or Purchaser Parent or any of its Subsidiaries with respect to the Purchaser Business, does not file income or franchise Tax Returns to the effect that such entity is or may be subject to income or franchise taxation by such jurisdiction.

(k) Neither Purchaser nor any Subsidiary of Purchaser will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period beginning after the Closing Date as a result of: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date made prior to the Closing, (ii) "closing agreement" executed prior to the Closing, (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code entered into or existing prior to the Closing, (iv) prepaid amount received on or prior to the Closing, (v) election under Section 108(i) of the Code made prior to the Closing or (vi) installment sale or open transaction disposition occurring on or before the Closing Date.

(l) Neither entering into this Agreement nor consummating the transactions contemplated hereby, nor, so far as the Purchaser or Purchaser Parent is aware, will give rise to any other event, transaction, action, or circumstance Liability for Tax or result in the withdrawal or clawback of any Tax Benefit for Purchaser or any Subsidiary of Purchaser as a result of Purchaser or any Subsidiary of Purchaser ceasing to be a member of a group with any other Person for Tax purposes.

(m) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.17 and Section 5.18 (to the extent relating to Taxes) are the sole and exclusive representations and warranties of Purchaser Parent with respect to Taxes.

Section 5.18 Employee Benefits; Employees.

(a) Set forth in Section 5.18(a) of the Purchaser Parent Disclosure Letter is a true and complete list of each material Purchaser Group Plan and Foreign Purchaser Group Plan categorized by (i) whether the Purchaser Group Plan or Foreign Purchaser Group Plan is a Purchaser Business Plan and (ii) the country or countries for which such Purchaser Group Plan or Foreign Purchaser Group Plan provides benefits. No Purchaser Business Plan provides benefits to, or otherwise covers, any individual who is not a Purchaser Business Employee, Former Purchaser Business Employee, or the dependents or beneficiaries thereof.

(b) With respect to each material Purchaser Business Plan (other than Foreign Purchaser Group Plans that are not defined benefit pension plans), Purchaser Parent has made available to Seller Parent, prior to the date of this Agreement, true and complete copies of (i) each such plan's governing document and any amendments thereto (or a written summary of all material terms if the plan has not been reduced to writing) and (ii) any applicable Plan Regulatory or Funding Documents. In addition, within thirty (30) days following the date hereof, with respect to each (x) material Purchaser Business Plan that is a Foreign Purchaser Group Plan, Purchaser Parent shall make available to Seller Parent true and complete copies of the documents contemplated by the immediately preceding sentence, and (y) each other material Purchaser Group Plan or Foreign Purchaser Group Plan for which Purchaser or its Subsidiaries has any Liability, Purchaser Parent shall make available to Seller Parent summaries of the material terms of such plans, the most recent summary plan description (if any) and excerpts or summaries of the actuarial reports for such plans to the extent relevant to the Liabilities of Purchaser or its Subsidiaries. Purchaser Parent has made available to Seller Parent, on or prior to the date of this Agreement, a summary that is accurate in all material respects of the value of the assets and Liabilities of all Purchaser Business Plans that are defined benefit pension plans as of the end of the 2017 fiscal year of Purchaser Parent.

(c) The IRS has issued a favorable determination letter, or for a prototype plan, opinion letter, with respect to each Purchaser Business Plan intended to be qualified within the meaning of Section 401(a) of the Code or, if no such determination has been made, either an application for such determination is pending with the IRS or the time within which such determination may be sought from the IRS has not yet expired, and, to the Knowledge of Purchaser Parent, nothing has occurred since the date of such determination or opinion that would reasonably be expected to result in disqualification of such Purchaser Business Plan. Each Purchaser Business Plan that is intended to qualify for any particular tax or regulatory treatment under the Laws of a country other than the United States (i) has received documentation of such qualification from a Governmental Authority (if available), and, to the Knowledge of Purchaser Parent, nothing has occurred since the date of such documentation that would reasonably be expected to result in disqualification of such Purchaser Business Plan or (ii) if such documentation is not available, to the Knowledge of Purchaser Parent, so qualifies.

(d) No Purchaser Group Plan is a "multiemployer plan," as such term is defined in Section 3(37) of ERISA, nor is any Purchaser Business Plan subject to Section 302 or Title IV of ERISA or Section 412 of the Code. Neither Purchaser nor its Subsidiaries (or any assets of Purchaser or its Subsidiaries) is subject to a lien under Section 430(k) of the Code or Section 4068 of ERISA, and neither Purchaser Parent nor any of its ERISA Affiliates has incurred any liability under Title IV of ERISA (other than premium payments to the Pension Benefit Guaranty Corporation in the ordinary course) or Section 4971 of the Code which has not been and will not be fully paid as of the Closing. None of Purchaser, its Subsidiaries or the Purchaser Business has as of the date of this Agreement, or will have as of the Closing, any Liability in respect of post-employment or post-retirement medical, health or life insurance benefits for any current or former employees, except as required by applicable Law or to avoid excise tax under Section 4980B of the Code. Except as set forth on Section 5.18(d) of the Purchaser Parent Disclosure Letter, no Purchaser Group Plan or Foreign Purchaser Group Plan is a defined benefit pension plan.

(e) Each Purchaser Group Plan and Foreign Purchaser Group Plan (other than a Purchaser Business Plan) has been maintained, operated, funded and administered in compliance in all respects with its terms and applicable Law, except for such instances of noncompliance that would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. Each Purchaser Business Plan has been established, maintained, funded and administered in compliance in all material respects its terms and applicable Law. All material contributions or premiums with respect to each Purchaser Business Plan have been paid or deducted in a timely fashion and there are no material outstanding defaults or violations thereunder that have not been properly recorded in the Purchaser Financial Statements. Other than routine claims for benefits, there are no suits, claims, proceedings, actions, governmental audits or investigations that are pending or threatened against or involving any Purchaser Group Plan or Foreign Purchaser Group Plan or asserting any rights to or claims for benefits under any Purchaser Group Plan or Foreign Purchaser Group Plan, except for such actions that have not had and would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(f) Except as set forth in Section 5.18(f) of the Purchaser Parent Disclosure Letter: (i) none of Purchaser or its Subsidiaries (or employers of Purchaser Business Employees other than Purchaser or its Subsidiaries) recognize a labor union (in the case of employers that are not Purchaser or its Subsidiaries, excluding any labor union that does not represent the Purchaser Business Employees) and none of the Purchaser Business Employees are represented by any labor

organization, works council or consultation body (other than industry-wide or national labor organizations) or subject to, or covered by, the terms of any material Collective Bargaining Agreement in connection with their services to the Purchaser Business, (ii) no labor union, labor organization, works council or consultation body has made a demand for recognition or certification, and there are no representation or certification proceedings, union elections or, to the Knowledge of Purchaser Parent, union organizing activities pending or threatened in writing with respect to the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business, (iii) there are no pending or threatened in writing strikes, lockouts, work stoppages or slowdowns involving the Purchaser Business Employees or against the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business and (iv) there is no unfair labor practice charge, labor arbitration or labor grievance proceeding pending or threatened in writing against the Purchaser Business or Purchaser or its Affiliates with respect to the Purchaser Business that would, in the case of the foregoing clauses (iii) and (iv), individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. As of the date hereof, Purchaser Parent has provided copies to Seller Parent of all material Collective Bargaining Agreements applicable to Purchaser Business Employees, the Purchaser Business or Purchaser or its Subsidiaries. Purchaser Parent, Purchaser and their respective Subsidiaries have satisfied any material pre-signing requirement to provide notice to, or enter into any information and consultation procedure with, any labor union, labor organization, works council or consultation body in connection with the execution of this Agreement or the transactions contemplated by this Agreement as required by any Contract or Laws.

(g) As of the Closing, Purchaser Parent represents that each Purchaser Business Employee devotes, and has devoted seventy percent (70%) or more of his or her working time in the last twelve (12) months (or such shorter period he or she has been employed by Purchaser Parent and its Affiliates) to performing services on behalf of the Purchaser Business.

(h) Except as required by plans, programs, or arrangements required to be maintained or contributed to by the Laws of a non-U.S. jurisdiction, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event), will cause any (i) payments to become due or payable to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, (ii) acceleration, vesting or increase in any compensation or benefits to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, or (iii) Purchaser or any of its Subsidiaries to transfer or set aside any assets to fund any benefits under any Purchaser Business Plan, or limit or restrict in any material respect the right of Purchaser or any of its Affiliates to amend, terminate or transfer the assets of any Purchaser Business Plan. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein, will constitute a “change in ownership or control” or “change in effective control” of Purchaser Parent within the meaning of Section 280G of the Code. Neither Purchaser nor any of its Subsidiaries is party to any plan, program, policy or arrangement providing for the “gross-up” or other compensation to any individual because of the imposition of any Tax on any payment to the individual related to Section 4999 or Section 409A of the Code.

Section 5.19 Global Trade Controls; Anti-Corruption Matters.

(a) Purchaser Parent and its Subsidiaries (with respect to the Purchaser Business) and Purchaser and its Subsidiaries, as well as their respective directors, officers, and employees, are in compliance with all Global Trade Control Laws, including possession of and compliance with Governmental Authorizations required by Global Trade Control Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(b) Purchaser and its Subsidiaries and, with respect to the Purchaser Business, Purchaser Parent and its other Subsidiaries, do not engage in any business with, or use, directly or indirectly, any corporate funds to contribute to or finance the activities of, any Restricted Party or in any Restricted Market except as permitted by Governmental Authorization, except as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business.

(c) None of Purchaser or its Subsidiaries or, with respect to the Purchaser Business, Purchaser Parent or its other Subsidiaries, nor any of their respective directors, officers, and employees, is a Restricted Party or owned or controlled by a Restricted Party.

(d) To Purchaser Parent's Knowledge, Purchaser and its Subsidiaries, and Purchaser Parent and its other Subsidiaries (with respect to the Purchaser Business), as well as their respective directors, officers, and employees are in compliance with all Anti-Corruption Laws, except for such noncompliance as would not, individually or in the aggregate, be materially adverse to Purchaser or the Purchaser Business. For purposes of this Section 5.19 only, "Purchaser Parent's Knowledge" means that the conduct giving rise to the noncompliance with or violation of Anti-Corruption Law was reported to the Compliance Division (or similar responsible group or body) of Purchaser Parent and such conduct is or was the subject of an investigation by it on or prior to the Closing Date.

(e) Notwithstanding any other provision of this Agreement, the representations and warranties set forth in this Section 5.19 are the sole and exclusive representations and warranties of Purchaser Parent with respect to Global Trade Control Laws and Anti-Corruption Laws.

Section 5.20 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser Parent or its Affiliates for which Purchaser or any of its Subsidiaries would be liable. Purchaser Parent is solely responsible for the fees and expenses of Citigroup Global Markets Limited, J.P. Morgan Securities plc and Greenhill & Co., which shall be a Purchaser Parent Transaction Expense hereunder.

Section 5.21 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Purchaser Parent or Purchaser or any of their respective Subsidiaries or Affiliates, the Purchaser Business or with respect to any other information provided,

or made available, to Seller Parent or any of its Affiliates or Representatives in connection with the transactions contemplated hereby. Except as expressly set forth in the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person has made any representation or warranty, express or implied, as to the prospects of Purchaser or the Purchaser Business or their profitability, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Seller Parent or any of its Affiliates or Representatives in connection with Seller Parent's review of Purchaser or the Purchaser Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information. Except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement, neither Purchaser Parent nor Purchaser nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Seller Parent, its Affiliates or Representatives or any other Person resulting from Seller Parent's use of, or the use by any of its Affiliates or Representatives of, any information, including information, documents, projections, forecasts, business plans or other material made available to Seller Parent, its Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives. Each of Purchaser Parent, Purchaser and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in this Article V or in any Ancillary Implementing Agreement. Notwithstanding anything to the contrary contained in this Agreement, neither Purchaser Parent, Purchaser nor any of their respective Affiliates makes any express or implied representation or warranty with respect to the Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities.

(b) Purchaser Parent and Purchaser acknowledge and agree that, except for the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person makes any express or implied representation or warranty with respect to Seller Parent, the other Sellers, the Conveyed Subsidiaries or any of their respective Subsidiaries or Affiliates, the Purchased Assets, the Business or with respect to any other information provided, or made available, to Purchaser Parent, Purchaser or any of their respective Affiliates or Representatives in connection with the transactions contemplated hereby. Purchaser Parent and Purchaser acknowledge and agree that, except to the extent expressly provided in this Agreement with respect to the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement, neither Seller Parent, the other Sellers nor any of their respective Affiliates, Representatives or any other Person will have, or be subject to, any Liability or other obligation to Purchaser Parent, Purchaser, any of their respective Affiliates or Representatives or any other Person resulting from the sale and purchase of the Purchased Assets or the Business to Purchaser Parent, Purchaser or their Affiliates or Purchaser Parent's or Purchaser's use of, or the use by any of their respective Affiliates or Representatives of any information, including information, documents, projections,

forecasts, business plans or other material (including any Evaluation Material (as defined in the Confidentiality Agreement)) made available to Purchaser Parent, Purchaser, any of their respective Affiliates or Representatives by any means, including in any virtual data room, confidential information memorandum, management presentations, offering materials, site tours or visits, diligence calls or meetings or any documents prepared by, or on behalf of, Seller Parent, the other Sellers or any of their respective Affiliates or Representatives. Purchaser Parent and Purchaser acknowledge and agree that they are not relying on any representation or warranty of Seller Parent, the other Sellers, or any of their Affiliates or Representatives or any other Person, other than those representations and warranties specifically set forth in Article IV or in any Ancillary Implementing Agreement. Purchaser Parent and Purchaser acknowledge and agree that each of Seller Parent and the other Sellers and their respective Affiliates disclaims any and all representations and warranties, whether express or implied, except for the representations and warranties contained in Article IV or in any Ancillary Implementing Agreement. Purchaser Parent and Purchaser acknowledge and agree that neither Seller Parent, the other Sellers nor any of their respective Affiliates makes any express or implied representation or warranty with respect to Excluded Assets, Retained Businesses or Retained Liabilities.

(c) Purchaser Parent and Purchaser acknowledge that they have conducted to their satisfaction an independent investigation of the financial condition, results of operations and projected operations of the Business and the nature and condition of its properties, assets, liabilities and businesses and, in making the determination to proceed with the transactions contemplated hereby, have relied solely on the results of their own independent investigation and the representations and warranties set forth in Article IV or any Ancillary Implementing Agreement. In light of these inspections and investigations and the representations and warranties made to Purchaser Parent and Purchaser by Seller Parent in Article IV or in any Ancillary Implementing Agreement, Purchaser Parent and Purchaser are relinquishing any right to any claim based on any representations and warranties other than those specifically included in Article IV or in any Ancillary Implementing Agreement. Any claims Purchaser Parent or Purchaser may have for breach of representation or warranty shall be based solely on the representations and warranties of Seller Parent set forth in Article IV or in any Ancillary Implementing Agreement.

(d) Purchaser Parent and Purchaser acknowledge that, except as explicitly set forth herein, neither Seller Parent nor any of its Affiliates has made any warranty, express or implied, as to the prospects of the Business or its profitability for Purchaser, or with respect to any forecasts, projections or business plans or other information (including any Evaluation Material (as defined in the Confidentiality Agreement)) delivered to Purchaser Parent or Purchaser or any of their respective Affiliates or Representatives in connection with Purchaser Parent's and Purchaser's review of the Business and the negotiation and execution of this Agreement, including as to the accuracy or completeness thereof or the reasonableness of any assumptions underlying any such forecasts, projections or business plans or other information.

ARTICLE VI

COVENANTS

Section 6.1 Information and Documents.

(a) From and after the date of this Agreement and to the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, to the extent permitted by applicable Law and upon reasonable advance notice, and solely for purposes of integration planning or in furtherance of the transactions contemplated by this Agreement and the Ancillary Agreements, (1) Seller Parent shall, and shall cause its Subsidiaries to, permit Purchaser Parent and its Representatives to have reasonable access, during normal business hours, to the books and records that constitute Purchased Assets, and to such personnel, offices and other facilities and properties that constitute Purchased Assets, and to provide such other information in respect of the Business as may be reasonably requested by Purchaser Parent for such purposes and (2) Purchaser Parent shall, and shall cause its Subsidiaries to, permit Seller Parent and its Representatives to have reasonable access, during normal business hours, to the books and records of Purchaser and its Subsidiaries or that are related to the Purchaser Business (provided that Purchaser Parent may redact any information in any such record not related to the Purchaser Business), and to such personnel, offices and other facilities and properties of Purchaser and its Subsidiaries or that are related to the Purchaser Business, and to provide such other information in respect of the Purchaser Business as may be reasonably requested by Seller Parent for such purposes; provided that all requests for access pursuant to this Section 6.1 shall be directed to and coordinated with a person or persons designated by Seller Parent or Purchaser Parent, as applicable, in writing; provided, further, that each Parent and its Subsidiaries may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Parent, (i) applicable Law requires such Parent or any of its Subsidiaries to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of such Parent's and its Subsidiaries' respective businesses, including the Business and the Purchaser Business, as applicable, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of access or information provided by Seller Parent, the information relates to the Strategic Process, or in the case of access or information provided by Purchaser Parent, the information relates to review of strategic alternatives with respect to the Purchaser Business, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Parent or its Subsidiaries restricts access or withholds information on the basis of the foregoing clauses (i) through (vi), such Parent shall, if permitted, inform the other Parent as to the general nature of what is being restricted or withheld and the reason therefor, and such Parent shall, and shall cause its Subsidiaries to, use its commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. Notwithstanding the foregoing, (A) prior to the Closing, neither Parent, nor any of its Affiliates and Representatives, shall conduct any phase II environmental site assessment or conduct any invasive testing or any sampling of soil, sediment, surface water, groundwater or building material at, on, under or within any property of the other Parent or its Subsidiaries and (B) prior to Closing, none of Seller Parent or any of its Affiliates, including the Conveyed Subsidiaries (and their Subsidiaries), shall provide Business Employee personnel files to Purchaser Parent or its Affiliates or Representatives and none of Purchaser Parent or any of its Affiliates, including Purchaser (and its Subsidiaries), shall provide

Purchaser Business Employee personnel files to Seller Parent or its Affiliates or Representatives. Notwithstanding the foregoing, following Closing (x) to the extent permitted by Law, Seller Parent shall, and shall cause its Affiliates to, provide Purchaser and its Subsidiaries access to personnel records and other personnel information related to the Business Employees and Former Business Employees reasonably requested by Purchaser and its Subsidiaries and (y) Seller Parent shall, and shall cause its Affiliates to, retain all material records related to the Business Employees and Former Business Employees in accordance with Seller Parent's records retention policies and, in no event, for less than such period of time required by applicable Law. It is further agreed that, prior to the Closing, each Parent and its Affiliates and Representatives shall not contact any of the directors, officers, employees, agents, customers, suppliers, licensors, licensees, distributors or other business partners of the other Parent or any of its Affiliates (including, with respect to Seller Parent, the Conveyed Subsidiaries (or their Subsidiaries) and, with respect to Purchaser Parent, Purchaser and its Subsidiaries) in connection with the transactions contemplated by this Agreement, whether in person or by telephone, mail or other means of communication, without the specific prior authorization by the other Parent (not to be unreasonably withheld, conditioned or delayed); provided that the foregoing shall not prevent any Parent or its Affiliates from operating in the ordinary course of business and communicating with such parties on matters unrelated to the Business or the Purchaser Business, as applicable, and the transactions contemplated by this Agreement. Notwithstanding anything to the contrary contained herein, in no event shall Seller Parent or any of its Affiliates, including the Conveyed Subsidiaries (and their Subsidiaries), be required to provide any information as and to the extent it relates to any Retained Businesses, any Excluded Assets or any Retained Liabilities, or be required to provide a copy of, or otherwise disclose the contents of, any Seller Combined Tax Return, and in no event shall Purchaser Parent or any of its Affiliates, including Purchaser and its Subsidiaries, be required to provide any information as and to the extent it relates to any Purchaser Parent Retained Businesses or any Purchaser Parent Retained Liabilities. The Parties agree that, with respect to any matters that are the subject of both this Section 6.1(a) and Section 6.5(i), the provisions of Section 6.5(i) (and not this Section 6.1(a)) shall control.

(b) Subject to Section 6.12, all information received or otherwise obtained by either Parent or its Affiliates or Representatives from, by or on behalf of the other Parent or any of its Affiliates or Representatives, in connection with the negotiation, execution, performance or consummation of this Agreement and the transactions contemplated hereby, whether prior to, on or following the date of this Agreement, will be held by such Parent and its Affiliates and Representatives pursuant to the terms of the Confidentiality Agreement and Section 6.12. Subject to Section 6.12(d), the Confidentiality Agreement and the Clean Team Agreement shall remain in full force and effect in accordance with their terms (subject to Section 9.2(d)) notwithstanding any termination of this Agreement.

(c) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, Seller Parent and its Subsidiaries shall consult with and provide material updates to Purchaser Parent regarding the matters disclosed on Section 6.1(c) of the Purchaser Disclosure Letter.

Section 6.2 Conduct of Business.

(a) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, except (i) as set forth in Section 6.2(a) of the Seller Disclosure Letter or as otherwise expressly contemplated by this Agreement (including Section 6.3), (ii) as Purchaser Parent shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed, (iii) in connection with the Seller Internal Restructurings, the settlement of any intercompany accounts or arrangements pursuant to Section 6.7 or the transfer of the Excluded Assets pursuant to Section 2.3(b), (iv) as required by Law or the terms of any Contract currently in effect and made available to Purchaser Parent, Purchaser or any of their Representatives prior to the date hereof or (v) to the extent solely related to any Excluded Assets, Retained Businesses or Retained Liabilities, Seller Parent covenants and agrees that (x) it shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to conduct the Business in the ordinary course of business in all material respects and to maintain and preserve intact the Business in all material respects, and (y) it shall not, and shall cause its Subsidiaries not to, in each case, to the extent with respect to the Purchased Assets and the Business:

(A) change or amend the charter, bylaws or similar organizational documents of any of the Conveyed Subsidiaries (or any of their Subsidiaries);

(B) incur, create or assume any Lien, other than Permitted Liens, with respect to any Purchased Asset that is material to the Business other than (1) those that will be discharged at or prior to the Closing or (2) in the ordinary course of business;

(C) acquire any assets outside of the ordinary course of business, except for transactions where the amount of upfront consideration paid or transferred in connection with such transactions would not exceed the amounts set forth on Section 6.2(a)(C) of the Seller Disclosure Letter;

(D) (1) amend any material term of, or waive any material right under, or terminate (other than upon expiration in accordance with its terms), any Material Contract or Real Property Lease, or (2) enter into any Contract that, if in effect on the date hereof, would be a Material Contract or Real Property Lease, other than, in the case of each of clauses (1) and (2), in the ordinary course of business or Contracts entered into in order to effect an acquisition, divestiture or other transaction or action expressly permitted under this clause (y) of this Section 6.2(a), or (3) enter into any Contract that, if in effect on the date hereof, would be a Shared Contract;

(E) issue, sell, pledge or transfer to any third party or propose to issue, sell, pledge or transfer to any third party any shares or equity interests of any of the Conveyed Subsidiaries (or any of their Subsidiaries), or securities convertible into, or exchangeable or exercisable for, or options with respect to, or warrants to purchase, or rights to subscribe for, shares or equity interests of any of the Conveyed Subsidiaries (or any of their Subsidiaries);

(F) change in any material respect any financial accounting method used with respect to the Business, unless required by GAAP or Law or interpretation thereof;

(G) (1) enter into, adopt, amend in any material respect or terminate any Conveyed Subsidiary Plan (or any other Seller Group Plan or Foreign Seller Group Plan to the extent applicable to any Business Employee, Former Business Employee, current or former consultant or director), (2) grant any new, or increase any existing, or accelerate the vesting, funding or payment of any compensation or benefits of, or pay or otherwise grant any benefit not required by any Seller Group Plan or Foreign Seller Group Plan to, any Business Employee, Former Business Employee, current or former consultant or director, except, in the case of either clause (1) or (2), (I) to the extent required by applicable Law or as required under any Seller Group Plan or Foreign Seller Group Plan as in effect on the date of this Agreement (or as amended in accordance with the terms of this Agreement), (II) other than with respect to any transaction or retention bonus or similar award or severance or termination enhancements, in the ordinary course of business consistent with past practice, (III) as would not reasonably be expected, individually or in the aggregate, to result in any non-*de minimis* Liabilities to Purchaser or any of its Affiliates or (IV) for amendments similarly affecting all participating employees in any Seller Group Plan or Foreign Seller Group Plan, (3) grant any transaction or retention bonus or similar award to any Business Employee, Former Business Employee, current or former consultant or director or (4) transfer any Seller Retained Plan to a Conveyed Subsidiary (or Subsidiary thereof);

(H) solely with respect to the Conveyed Subsidiaries or their Subsidiaries or the other Purchased Assets, and except with respect to any Seller Combined Tax Return, (1) make, change or revoke any material Tax election, (2) adopt or change any material method of Tax accounting on which Tax reporting is based, (3) amend any material Tax Return, (4) settle any Tax Proceeding, or (5) enter into any "closing agreement" within the meaning of 7121 of the Code (or any similar provision of state, local or foreign Law) that would be binding on Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) in respect of a Post-Closing Tax Period, in each case, if such action would reasonably be expected to materially increase the Tax liability of Purchaser and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) for any Post-Closing Tax Period;

(I) except in the ordinary course of business or as contemplated by Section 6.6, (1) enter into, materially amend, extend or terminate any material Collective Bargaining Agreement covering any Business Employee or otherwise binding upon the Business or the Conveyed Subsidiaries or their Subsidiaries, (2) hire any individual who will be a Business Employee at Closing, (3) terminate the employment of (other than for cause) any individual who would have been a Business Employee at Closing, but for such termination of employment, or (4) reassign the duties of (x) any individual who would have been a Business Employee at Closing, but for such reassigned duties, or (y) any employee of Seller Parent or its Affiliates who would not have been a Business Employee at Closing, but for such reassigned duties;

(J) incur, assume or guarantee any material Indebtedness, other than (1) as would not exceed the amounts set forth on Section 6.2(a)(J) of the Seller Disclosure Letter or (2) intercompany Indebtedness that will be settled at or prior to the Closing;

(K) defer payment of any accounts payable or accelerate payment of any accounts receivable, in any material respect, outside of the ordinary course of business;

(L) make capital expenditures in connection with the operation of the Business that are materially inconsistent with, or fail to make capital expenditures materially consistent with, the capital expenditure budget set forth in Section 6.2(a)(L) of the Seller Disclosure Letter;

(M) sell, assign, transfer, license, sublicense, abandon or otherwise dispose of any material Purchased Assets, other than sales of Inventory and other assets, and non-exclusive licenses or sublicenses, in each case, in the ordinary course of business;

(N) (1) settle or compromise any Action made or pending against the Business or any of the Conveyed Subsidiaries (or any of their Subsidiaries) to the extent such settlement or compromise imposes material ongoing obligations or restrictions on the operations of the Business, or (2) settle, compromise or file any Action that relates to the Business IP that could materially impact such Business IP without consulting with and considering in good faith the opinion of Purchaser;

(O) materially accelerate or increase the quantity of the Products distributed to the relevant distributors or wholesalers outside of the ordinary course of business, except with respect to a *bona fide* increase in demand for any Product by the relevant distributor or wholesaler which has not been stimulated in any way following the date hereof by discounts, rebates, claw-backs or the like outside the ordinary course of business or the grant of preferred terms offered by Seller Parent or any of its Affiliates outside the ordinary course of business; or

(P) agree to take any of the foregoing actions described in this clause (y) of this Section 6.2(a).

(b) From and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, except (i) as set forth in Section 6.2(b) of the Purchaser Parent Disclosure Letter or as otherwise expressly contemplated by this Agreement (including Section 6.3), (ii) as Seller Parent shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed, (iii) in

connection with the Purchaser Internal Restructurings or the settlement of any intercompany accounts or arrangements pursuant to Section 6.7, (iv) as required by Law or the terms of any Contract currently in effect and made available to Seller Parent or any of its Representatives prior to the date hereof or (v) to the extent solely related to any Purchaser Parent Retained Businesses or Purchaser Parent Retained Liabilities, each of Purchaser Parent and Purchaser covenants and agrees that (x) it shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to conduct the Purchaser Business in the ordinary course of business in all material respects and to maintain and preserve intact the Purchaser Business in all material respects, and (y) it shall not, and shall cause its Subsidiaries not to, in each case, to the extent with respect to the Purchaser Business or the assets, properties or rights comprising the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries:

(A) change or amend the charter, bylaws or similar organizational documents of Purchaser or any of its Subsidiaries;

(B) incur, create or assume any Lien, other than Purchaser Permitted Liens, with respect to any asset, property or right that is material to the Purchaser Business other than (1) those that will be discharged at or prior to the Closing or (2) in the ordinary course of business;

(C) acquire any assets outside of the ordinary course of business, except for transactions where the amount of upfront consideration paid or transferred in connection with such transactions would not exceed the amounts set forth on Section 6.2(b)(C) of the Purchaser Parent Disclosure Letter;

(D) (1) amend any material term of, or waive any material right under, or terminate (other than upon expiration in accordance with its terms), any Purchaser Material Contract or Purchaser Real Property Lease, (2) enter into any Contract that, if in effect on the date hereof, would be a Purchaser Material Contract or Purchaser Real Property Lease, other than, in the case of each of clauses (1) and (2), in the ordinary course of business or Contracts entered into in order to effect an acquisition, divestiture or other transaction or action expressly permitted under this clause (y) of this Section 6.2(b), or (3) enter into any Contract that, if in effect on the date hereof, would be a Purchaser Shared Contract;

(E) issue, sell, pledge or transfer to any third party or propose to issue, sell, pledge or transfer to any third party any shares or equity interests of Purchaser or any of its Subsidiaries, or securities convertible into, or exchangeable or exercisable for, or options with respect to, or warrants to purchase, or rights to subscribe for, shares or equity interests of Purchaser or any of its Subsidiaries, including in each case any ordinary shares or preference shares of Purchaser (other than the Preference Shares issued in accordance with this Agreement);

(F) change in any material respect any financial accounting method used with respect to Purchaser, its Subsidiaries or the Purchaser Business, unless required by IFRS or Law or interpretation thereof;

(G) (1) enter into, adopt, amend in any material respect or terminate any Purchaser Business Plan (or any other Purchaser Group Plan or Foreign Purchaser Group Plan to the extent applicable to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director), (2) grant any new, or increase any existing, or accelerate the vesting, funding or payment of any compensation or benefits of, or pay or otherwise grant any benefit not required by any Purchaser Group Plan or Foreign Purchaser Group Plan to, any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director, except, in the case of either clause (1) or (2), (I) to the extent required by applicable Law or as required under any Purchaser Group Plan or Foreign Purchaser Group Plan as in effect on the date of this Agreement (or as amended in accordance with the terms of this Agreement), (II) other than with respect to any transaction or retention bonus or similar award or severance or termination enhancements, in the ordinary course of business consistent with past practice, (III) as would not reasonably be expected, individually or in the aggregate, to result in any non-*de minimis* Liabilities to Purchaser or any of its Affiliates or (IV) for amendments similarly affecting all participating employees in any Purchaser Group Plan or Foreign Purchaser Group Plan, (3) grant any transaction or retention bonus or similar award to any Purchaser Business Employee, Former Purchaser Business Employee, current or former consultant or director or (4) transfer any Purchaser Group Plan or Foreign Purchaser Group Plan that is not a Purchaser Business Plan to Purchaser or any of its Subsidiaries;

(H) solely with respect to Purchaser and its Subsidiaries, and except with respect to any Purchaser Parent Combined Tax Return, (x) (1) make, change or revoke any material Tax election, (2) adopt or change any material method of Tax accounting on which Tax reporting is based, (3) amend any material Tax Return, (4) settle any Tax Proceeding, or (5) enter into any "closing agreement" within the meaning of 7121 of the Code (or any similar provision of state, local or foreign Law) that would be binding on Purchaser or any of its Affiliates in respect of a Post-Closing Tax Period, in each case, if such action would reasonably be expected to materially increase the Tax liability of Purchaser and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries following the Closing) for any Post-Closing Tax Period, or (y) take any action other than in the ordinary course of business that would reasonably be expected to violate Clauses 11.4(a) and 11.4(b) of the Structuring Considerations Agreement if such Clauses were in effect from and after the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1;

(I) except in the ordinary course of business, (1) enter into, materially amend, extend or terminate any material Collective Bargaining Agreement covering any Purchaser Business Employee or otherwise binding upon the Purchaser Business or Purchaser or its Subsidiaries, (2) hire any individual who will be a Purchaser Business Employee at Closing, (3) terminate the employment of (other than for cause) any individual who would have been a Purchaser Business Employee at

Closing, but for such termination of employment, or (4) reassign the duties of (x) any individual who would have been a Purchaser Business Employee at Closing, but for such reassigned duties, or (y) any employee of Purchaser Parent or its Affiliates who would not have been a Purchaser Business Employee at Closing, but for such reassigned duties;

(J) incur, assume or guarantee any material Indebtedness, other than (1) as would not exceed the amounts set forth on Section 6.2(b)(J) of the Purchaser Parent Disclosure Letter or (2) intercompany Indebtedness that will be settled at or prior to the Closing;

(K) defer payment of any accounts payable or accelerate payment of any accounts receivable, in any material respect, outside of the ordinary course of business;

(L) make capital expenditures in connection with the operation of the Purchaser Business or for which Purchaser or any Subsidiary of Purchaser is responsible that are materially inconsistent with, or fail to make capital expenditures materially consistent with, the capital expenditure budget set forth in Section 6.2(b)(L) of the Purchaser Parent Disclosure Letter;

(M) sell, assign, transfer, license, sublicense, abandon or otherwise dispose of any material assets, properties or rights (x) Related to the Purchaser Business and owned by Purchaser Parent or any of its Subsidiaries or (y) owned or held by Purchaser or any of its Subsidiaries, other than sales of inventory and other assets, and non-exclusive licenses or sublicenses, in each case, in the ordinary course of business;

(N) (1) settle or compromise any Action made or pending against the Purchaser Business or Purchaser or any of its Subsidiaries to the extent such settlement or compromise imposes material ongoing obligations or restrictions on the operations of Purchaser or the Purchaser Business, or (2) settle, compromise or file any Action that relates to the Purchaser IP that could materially impact such Purchaser IP without consulting with and considering in good faith the opinion of Seller Parent;

(O) enter into or modify the terms of any material transaction, arrangement or Contract between Purchaser or its Subsidiaries, on the one hand, and Purchaser Parent or any of its Affiliates other than Purchaser or its Subsidiaries, on the other hand;

(P) materially accelerate or increase the quantity of the Purchaser Products distributed to the relevant distributors or wholesalers outside of the ordinary course of business, except with respect to a *bona fide* increase in demand for any Purchaser Product by the relevant distributor or wholesaler which has not been stimulated in any way following the date hereof by discounts, rebates, claw-backs or the like outside the ordinary course of business or the grant of preferred terms offered by Purchaser Parent or any of its Affiliates outside the ordinary course of business; or

(Q) agree to take any of the foregoing actions described in this clause (y) of this Section 6.2(b).

(c) Notwithstanding any provision in this Agreement to the contrary, subject to Section 6.5(f), prior to the Closing and without the consent of Purchaser Parent or Purchaser, each of Seller Parent and its Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, will be permitted in their sole discretion in compliance with applicable Law to (i) declare and pay dividends and distributions of, or otherwise transfer to Seller Parent or any Subsidiary thereof, (A) any Cash Equivalents or, subject to Section 2.3(b), Excluded Assets, and (B) any of the books and records of Seller Parent or any of its Affiliates that are not Purchased Assets, (ii) conduct their activities regarding cash management matters (including, to the extent consistent with Section 6.2(a)(K), the collection and transfer of accounts receivable and disbursement of funds, or in connection with any "cash sweep" practices), including to settle intercompany payables and receivables and to effect intercompany funding, (iii) make any payments under, or repay (in part or in full), any indebtedness and (iv) execute, deliver and perform obligations under the Local Implementing Agreements.

(d) Notwithstanding any provision in this Agreement to the contrary, subject to Section 6.5(f), prior to the Closing and without the consent of Seller Parent, each of Purchaser Parent and its Affiliates, including Purchaser and its Subsidiaries, will be permitted in their sole discretion in compliance with applicable Law to (i) declare and pay dividends and distributions of, or otherwise transfer to Purchaser Parent or any Subsidiary thereof, (A) any Cash Equivalents or assets that are not Related to the Purchaser Business, and (B) any of the books and records of Purchaser Parent or any of its Affiliates that are not Related to the Purchaser Business, (ii) conduct their activities regarding cash management matters (including, to the extent consistent with Section 6.2(b)(K), the collection and transfer of accounts receivable and disbursement of funds, or in connection with any "cash sweep" practices), including to settle intercompany payables and receivables and to effect intercompany funding, (iii) make any payments under, or repay (in part or in full), any indebtedness and (iv) execute, deliver and perform obligations under the Local Implementing Agreements. Until the earlier of the Closing Date and the date on which this Agreement is terminated pursuant to Section 9.1, neither Purchaser nor any of its Subsidiaries shall, and Purchaser Parent shall cause Purchaser and its Subsidiaries not to, without the written consent of Seller Parent, make any distributions of, or otherwise transfer, any assets, properties or rights (other than Cash Equivalents) Related to the Purchaser Business to Purchaser Parent or any of its Affiliates (other than to Purchaser or a Subsidiary of Purchaser).

(e) Nothing contained in this Agreement shall be construed to give to Purchaser Parent or Purchaser, directly or indirectly, rights to control or direct the Business's operations prior to the Closing, or give to Seller Parent, directly or indirectly, rights to control or direct the Purchaser Business's operations prior to the Closing. Prior to the Closing, Seller Parent (and its Affiliates) shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of the operations of the Business and Purchaser Parent (and its Affiliates) shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision of the operations of the Purchaser Business.

(f) Purchaser agrees that it shall, and shall cause its applicable Affiliates to, on and immediately following the Closing, use the Purchased Assets to carry on the same kind of business as that carried on by the Sellers with respect to the Purchased Assets prior to the Closing.

Section 6.3 Regulatory Approvals.

(a) Upon the terms and subject to the conditions herein provided, Purchaser Parent, Purchaser and Seller Parent each agree to take, and to cause their Affiliates to take, all actions and to do, and cause their Affiliates to do, all things necessary under applicable Antitrust Laws to consummate and make effective the transactions contemplated by this Agreement or any Ancillary Agreement as promptly as reasonably practicable (and in any event as required to effect the Closing prior to the Outside Date), including all actions and all things necessary (i) to obtain, as promptly as reasonably practicable (and in any event as required to effect the Closing prior to the Outside Date), any consent, authorization, order or approval of, or any exemption by, or negative clearance from, or the expiration or early termination of any waiting period imposed by, or any other Approval of, any Governmental Antitrust Authority required to be obtained or made by Seller Parent, Purchaser Parent, Purchaser or their Affiliates in connection with the acquisition of the Purchased Assets or the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (ii) to satisfy, as promptly as reasonably practicable and in any event prior to the date that is the third (3rd) Business Day prior to the Outside Date, the conditions precedent set forth in Sections 8.1(a) and 8.1(b) to the extent relating to Antitrust Laws, (iii) to defend any Actions, whether judicial or administrative, brought by any Governmental Antitrust Authority or brought under, pursuant to or relating to any Antitrust Law challenging this Agreement, the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby, and (iv) to comply as promptly as reasonably practicable with all legal requirements under Antitrust Laws which may be imposed with respect to this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby. Without limiting the foregoing, Purchaser Parent, Purchaser, Seller Parent and their Affiliates shall be obligated to take such actions as are necessary to obtain, as promptly as reasonably practicable and in any event prior to the date that is the third (3rd) Business Day prior to the Outside Date, the expiration or termination of any applicable waiting period under the HSR Act and any consent, authorization, order or approval of, or any exemption by, or negative clearance from, or the expiration or early termination of any waiting period imposed by, or any other Approval under, Antitrust Laws of the jurisdictions set forth on Annex C.

(b) Subject to appropriate confidentiality protections, each of the Parties will furnish to the other Parties such necessary information and reasonable assistance as such other Parties may reasonably request in connection with the foregoing and will provide the other Parties with any information supplied by such Party or its Affiliates to a Governmental Antitrust Authority in connection with this Agreement and the transactions contemplated hereby.

(c) Without limiting the generality of the undertakings pursuant to this Section 6.3:

(i) Purchaser Parent, Purchaser, Seller Parent, and their respective Affiliates shall, with respect to the execution of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, (A) as promptly as reasonably practicable, and in any event no later than fifteen (15) Business Days after the date hereof unless otherwise agreed to in writing by the Parties, file any notification and report form and related material required under the HSR Act, and (A) as promptly as reasonably practicable submit all necessary Filings with the Governmental Antitrust Authorities set forth in Section 6.3(c)(i) of the Seller Disclosure Letter;

(ii) In addition to the foregoing, in the event that a Party reasonably determines following the date hereof that Filings other than the Filings described in Section 6.3(c)(i) are required to be made by one or more of the Parties with, or additional Approvals are required to be obtained by the Parties from, any Governmental Antitrust Authorities under any applicable Antitrust Law in connection with the execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, the applicable Parties shall timely make all such Filings and timely seek all such Approvals in accordance with the terms of this Section 6.3. If, following good faith discussion and consideration, the Parties mutually agree that any such additional Approval would be required under applicable Antitrust Law to effect the Closing, and that effecting the Closing without having obtained such additional Approval would reasonably be expected to violate applicable Antitrust Law (and that such violation could not be avoided or cured if the Business in the relevant jurisdiction were a Delayed Business), the jurisdiction to which such additional Approval relates shall be added to Annex C, Part 1, subject to each Party's consent (which shall not be unreasonably withheld, conditioned or delayed). If, following good faith discussion and consideration, the Parties mutually agree that effecting the Closing without having obtained the Approval of any Governmental Antitrust Authority under applicable Antitrust Laws of any jurisdiction set forth on Annex C, Part 2 (as it may be supplemented pursuant to the immediately preceding sentence) would not violate applicable Antitrust Law (or that such violation could be avoided or cured if the Business in the relevant jurisdiction were a Delayed Business), such jurisdiction shall be removed from Annex C, subject to each Party's consent (which shall not be unreasonably withheld, conditioned or delayed).

(iii) Purchaser Parent, Purchaser, Seller Parent and their respective Affiliates shall each promptly respond to any formal or informal requests for additional information or documentary material that may be made by a Governmental Antitrust Authority and, in the case of a formal request for additional information and documentary material under the HSR Act or any other Antitrust Law (to the extent applicable), certify substantial compliance therewith as promptly as reasonably practicable, unless the Parties otherwise agree in order to allow the Closing to occur more promptly;

(iv) In addition to the foregoing, Purchaser Parent, Purchaser and their Affiliates shall, as promptly as reasonably practicable take, or cause to be taken, any and all actions and do, or cause to be done, any and all things necessary, required or advisable to avoid, eliminate and resolve each and every impediment and obtain all Approvals under Antitrust Laws that may be required by any Governmental Antitrust Authority with respect to the consummation of the transactions contemplated hereby or by the Ancillary Agreements, in order to allow the Closing to occur as promptly as reasonably practicable after the date of this Agreement but in any event prior to the Outside Date, including proposing, negotiating, offering to commit and effect (and if such offer is accepted, committing to and effecting) through order, consent decree, settlement or otherwise, to (d) license, sell, divest, hold separate or otherwise dispose of, directly or indirectly, any of the Purchased Assets (including any of the Shares), or any operations, divisions, Subsidiaries, specific assets or categories of assets, specific products (including any of the Products or Purchaser Products) or categories of products, product lines or businesses of Purchaser (or any of its Subsidiaries), the Conveyed Subsidiaries (or any Subsidiary thereof), the Purchaser Business or the Business (whether now owned or hereafter acquired by Purchaser Parent, Purchaser or their Affiliates), (e) terminate any existing relationships and contractual rights and obligations of Purchaser and its Subsidiaries, the Conveyed Subsidiaries (and their Subsidiaries) and any such relationships, rights or obligations that form part of the Purchased Assets, (f) amend or terminate any licenses or other Intellectual Property agreements of Purchaser and its Subsidiaries, the Conveyed Subsidiaries (and their Subsidiaries) and any such licenses or other Intellectual Property agreements that form a part of the Purchased Assets and enter into such new licenses or other Intellectual Property agreements and (g) take any actions or make any behavioral commitments that may limit or modify Purchaser's (or any of its Subsidiaries') or the Conveyed Subsidiaries' (or any of their Subsidiaries') rights of ownership in, or ability to conduct the business of, one or more of its operations, divisions, businesses, product lines, specific products (including any of the Products or Purchaser Products), categories of products, customers, specific assets or categories of assets, including, after the Closing, those of the Business or any of the Purchased Assets; provided that, without limiting any of Purchaser Parent's and its Subsidiaries' obligations hereunder, Seller Parent and its Affiliates shall not take or agree to take any of the actions listed in this Section 6.3(c)(iv) without the prior written consent of Purchaser Parent and Purchaser (not to be unreasonably withheld, delayed or conditioned); provided further that neither Parent shall be required to take any action listed in Section 6.3(c)(iv)(A)-(D) ("Regulatory Action") with respect to the Retained Businesses, Excluded Assets or Purchaser Parent Retained Businesses, as applicable; and provided further that the proceeds, payments or consideration received or receivable in respect of any action contemplated by clauses (A) through (D) of this Section 6.3(c)(iv) shall be paid directly to Purchaser and held by Purchaser through the Closing Date, it being agreed that such proceeds, payments and consideration shall not be included in the calculation of Purchaser Net Cash or Purchaser Working Capital.

(v) In furtherance of the foregoing: (x) (I) Purchaser Parent and Purchaser shall keep Seller Parent reasonably informed of all matters, discussions and activities relating to any of the matters described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), including satisfying each of its obligations under Section 6.3(d) with respect to any such matters, and (II) Purchaser Parent and Purchaser shall consider in good faith any of Seller Parent's reasonable suggestions with respect to potential purchasers, licensees or other counterparties in respect of any of the agreements, arrangements, transactions or other relationships described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), (y) (I) Purchaser Parent and Purchaser shall permit Seller Parent to review on a reasonably current basis, and shall discuss with Seller Parent, drafts of any agreements that Purchaser Parent or Purchaser contemplates entering into, or contemplates causing any of their Affiliates (including, after the Closing, the Conveyed Subsidiaries and their Subsidiaries) to enter into, with respect to any of the matters described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), (II) Purchaser Parent and Purchaser shall consider in good faith Seller Parent's views and comments with respect to such agreements, and (III) the Parties and their respective Affiliates, as applicable, shall not be required to enter into any such agreements unless the effectiveness of the transactions contemplated by such agreements is subject to the Closing and (IV) in the case of any license, sale, divestiture, disposition or similar transaction, neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall be the licensing, selling, divesting or disposing party under any such agreements unless and except to the extent required by the relevant Governmental Antitrust Authority or applicable Law and, even if so required, shall have no direct or indirect obligation thereunder for which they are not fully indemnified by Purchaser and (z) notwithstanding anything in any such agreement to the contrary, Seller Parent, Purchaser Parent and Purchaser agree (I) that neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements, transactions or other relationships described in or contemplated by clauses (A) through (D) of Section 6.3(c)(iv), including the cooperation contemplated by Section 6.3(d)(ii), (II) that Purchaser shall indemnify Purchaser Parent, Seller Parent and their respective Affiliates (other than Purchaser and its Subsidiaries) for any Liabilities arising from, or attributable or related to, any such agreements, arrangements, transactions or other relationships, including with respect to any agreements to which Purchaser Parent, Seller Parent or any of their respective Affiliates (other than Purchaser and its Subsidiaries) are party (except, in the case of (I) and (II), to the extent Seller Parent or Purchaser Parent, as applicable, is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement) and (IV) that neither Purchaser Parent nor Seller Parent nor their respective Affiliates (other than Purchaser and its Subsidiaries) shall be required to take any of the actions contemplated by clauses (A) through (D) of Section 6.3(c)(iv), or otherwise in connection with the matters contemplated by this Section 6.3, with respect to any of the Retained Businesses, Excluded Assets or Purchaser Parent Retained Businesses.

(vi) In the event that any Action is threatened or commenced under Antitrust Laws, or a permanent or preliminary injunction or other Governmental Order is threatened or entered under Antitrust Laws, that would make consummation of the transactions contemplated hereby or by the Ancillary Agreements in accordance with the terms of this Agreement and the Ancillary Agreements unlawful or that would prevent or delay consummation of the transactions contemplated hereby or by the Ancillary Agreements (in each case, under Antitrust Laws), each of Purchaser Parent, Purchaser and Seller Parent shall reasonably promptly take any and all actions and steps (including the defense against or appeal thereof, the posting of a bond and the taking of the steps contemplated by this Section 6.3(c)) necessary to resist and contest such Action and to have vacated, modified, reversed or suspended such injunction or Governmental Order so as to permit such consummation as promptly as reasonably practicable, but in any event as required to allow the Closing to occur prior to the Outside Date.

(d) Cooperation.

(i) Each Parent shall, and shall cause its Affiliates to, to the extent permitted by applicable Antitrust Law, (i) promptly notify the other Parent of, and, if in writing, provide to the other Parent copies of (or in the case of oral communications, advise the other orally of) all material or substantive communications between it (or its Affiliates or Representatives) and any Governmental Antitrust Authority relating to the consummation of the transactions contemplated hereby and by the Ancillary Agreements or any of the matters described in this Section 6.3, (ii) consult with the other in good faith as regards strategy, permit the other to review and discuss in advance, and consider in good faith the views of the other in connection with, any Filings, notifications or material or substantive communications (whether written or oral) with any Governmental Antitrust Authority, including any presentations, memoranda, briefs, arguments, opinions or proposals and (iii) not participate in any material or substantive telephone calls or any meetings with a Governmental Antitrust Authority regarding the consummation of the transactions contemplated hereby and by the Ancillary Agreements or any of the matters described in this Section 6.3 without consulting with the other Parent in advance and, to the extent permitted by such Governmental Antitrust Authority, giving the other Parent a reasonable opportunity to attend and participate thereat.

(ii) Subject to and without limiting Section 6.3(c)(iv), Seller Parent shall, and shall cause its Affiliates to, reasonably cooperate, at Purchaser's sole cost and expense (it being agreed that any expenses incurred by Seller Parent or any of its Affiliates shall be reasonable, documented and out-of-pocket), with Purchaser Parent and Purchaser on any proposed license, sale, divestiture, hold separate, disposal or other action undertaken by Purchaser Parent or Purchaser which Purchaser Parent or Purchaser reasonably concludes, in good faith, may be necessary to comply with its obligations under Section 6.3(c)(iv)(A) (a "Proposed Divestiture"), including using reasonable best efforts in connection with:

(A) providing, or causing to be provided, to Purchaser Parent and Purchaser, as well as any potential counterparty in any Proposed Divestiture (each, a "Counterparty"), any information, in an electronic data room or other customary format, solely with respect to the business, operations, financial condition and projections of the assets or business which are the subject of the Proposed Divestiture as may be reasonably requested by Purchaser Parent, Purchaser or the Counterparty, in each case, solely to the extent such information is in Seller Parent's possession at such time;

(B) reasonably cooperating with Purchaser Parent and Purchaser in the preparation for Counterparties of a customary confidential information memorandum and other customary marketing materials related to the Proposed Divestiture (and Seller Parent and its Affiliates hereby consent to the use of the logos of Seller Parent and its Affiliates that solely relate to the Business in such confidential information memorandum and marketing materials and solely in connection with the Proposed Divestiture during the period prior to the Closing (so long as such logos are used solely in a manner that is not intended to and is not reasonably likely to suggest or imply any affiliation, association or similar relationship with Seller Parent or its Affiliates, cause confusion arising out of their use of such logos simultaneously with the use of such logos by Seller Parent and its Affiliates, or harm or disparage Seller Parent or its Affiliates or the goodwill of Seller Parent or its Affiliates, including the Business, and are used solely in connection with a truthful, non-misleading description of the Business and the Products subject to the Proposed Divestiture, and subject to Seller Parent's review thereof);

(C) causing the reasonable participation by relevant employees of the Business in marketing efforts related to the Proposed Divestiture and its potential transfer, during normal business hours, including participation in a reasonable number of customary due diligence sessions, management presentations and other meetings with Counterparties;

(D) taking such actions within its reasonable control as are reasonably requested by Purchaser Parent to facilitate the timely satisfaction of all conditions to the completion of the Proposed Divestiture, subject in all respects to Section 2.2 and the other applicable provisions of this Agreement;

(E) seeking any consents and Approvals required to consummate the Proposed Divestiture from third parties (other than Governmental Authorities) reasonably requested by Purchaser Parent, subject in all respects to Section 2.2; and

(F) requesting Seller Parent's independent auditors to cooperate with Counterparties as may be reasonably requested by Seller Parent;

provided, however, that notwithstanding the foregoing or anything to the contrary in this Agreement, nothing herein shall (i) require Seller Parent and its Affiliates to provide any information to any Counterparties prior to receipt of executed confidentiality and clean team agreements with respect to such information and on terms no less favorable (to the extent relevant) to Seller Parent than the Confidentiality Agreement and Clean Team Agreement, (ii) require the Sellers or any of their Affiliates to agree to pay any amounts for which they are not promptly reimbursed by Purchaser, or deliver or execute any opinions, authorization letters, certificates or other instruments, (iii) require the Sellers or any of their Affiliates to take any action that would reasonably be expected to conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, any of their respective organizational documents, any applicable Laws or Governmental Authorization or any material Contract or other material obligation to a third party, (iv) cause any representation or warranty in this Agreement to be breached by Seller Parent (unless such breach is waived by Purchaser Parent and Purchaser), (v) cause any Representative of the Sellers or any of their Affiliates to incur any personal liability, (vi) provide access to or disclose information that any of the Sellers or any of their Affiliates reasonably determines would jeopardize any attorney-client or other privilege or protection of any of the Sellers or any of their Affiliates or (vii) prevent, impair or materially delay the consummation of the transactions contemplated hereby or by the Ancillary Agreements; provided, further, that in the case of the foregoing clause (iii) and (vi) Sellers shall, and shall cause their Affiliates to, inform Purchaser as to the general nature of what is being restricted or withheld and the reason therefor, and shall use its commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments.

(e) Delayed Antitrust Approvals.

(i) Subject to Section 6.3(c)(ii), in the event an Approval of a Governmental Antitrust Authority (other than a Governmental Antitrust Authority of the United States or Approvals under Antitrust Laws of the jurisdictions set forth on Annex C) having jurisdiction that is necessary to lawfully consummate the transactions contemplated hereby is not obtained on or prior to the date on which the conditions set forth in Sections 8.1 and 8.2 (other than the conditions that, by their nature, are to be satisfied on the Closing Date) shall have been satisfied or waived (each, a "Delayed Antitrust Approval" and, each such jurisdiction, an "Outstanding Antitrust Jurisdiction"), the Parties agree (subject to the satisfaction of the conditions set forth in Article VIII) that, provided that the Laws of such Outstanding Antitrust Jurisdiction permit consummation of the transactions contemplated hereby in all territories other than the Outstanding Antitrust Jurisdiction, they will effect the Closing (which the Parties shall determine in

accordance with Section 6.3(c)(ii)) (including the issuance, allotment and delivery of the full Purchase Consideration), subject to the terms of this Agreement, including by selling, conveying, assigning, transferring or delivering to Purchaser or the applicable Purchaser Designated Affiliates all of Seller Parent's and its Subsidiaries' right, title and interest in the Purchased Assets pursuant to the terms and conditions hereof to the extent permissible under any applicable Law and subject to Section 2.2, it being agreed that the Closing shall refer to the consummation of such sale, conveyance, assignment, transfer or delivery of such Purchased Assets at such time and shall only exclude, subject to Section 2.2, the Purchased Assets in that Outstanding Antitrust Jurisdiction to which such Delayed Antitrust Approval relates (a "Delayed Business"). The obligations of the Parties set forth in this Section 6.3 shall continue with respect to each such Delayed Antitrust Approval until the earliest to occur of (A) the date such Delayed Antitrust Approval is obtained, (B) the date on which such Delayed Business is sold to a third party designated by Purchaser (a "Delayed Business Purchaser") (it being agreed that Purchaser shall consider in good faith Seller Parent's reasonable suggestions with respect to potential purchasers), as set forth in a written notice (a "Delayed Business Notice") delivered by Purchaser to Seller Parent in accordance with Section 10.1 and Section 6.3(e)(iii) and (C) the date that is thirty-six (36) months after the Closing Date (the "Hold-Back Termination Date"), and until the earliest to occur of the foregoing (the date of such earliest occurrence, the "Delayed Business Cut-Off Date"), Seller Parent shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to operate the Delayed Business in the ordinary course of business in all material respects.

(ii) Upon obtaining a Delayed Antitrust Approval pursuant to Section 6.3(e)(i)(A), the Parties shall effect the transfer of such Delayed Business pursuant to a Local Implementing Agreement for the jurisdiction relating thereto, and, to the extent permissible under applicable Antitrust Laws, such transfer shall be retroactive to, and be deemed to have occurred on, the Closing Date; provided that, in accordance with Section 2.2(a), to the fullest extent permitted by applicable Law, the Parties shall treat Purchaser or the applicable Purchaser Designated Affiliate, as the case may be, as the owner of the Delayed Business as of the Closing Date.

(iii) In the event that Purchaser delivers a Delayed Business Notice to Seller Parent with respect to a Delayed Business, Seller Parent shall, and shall cause its Affiliates to, use commercially reasonable efforts to facilitate the sale of such Delayed Business to the Delayed Business Purchaser by Purchaser and on its behalf and at its direction as promptly as reasonably practicable, including the efforts described in Section 6.3 (d)(ii); provided that (A) Purchaser acknowledges and agrees nothing in this Section 6.3(e) shall require Seller Parent to transfer to the Delayed Business Purchaser such Delayed Business if Purchaser Parent or Purchaser is in material breach of its obligations under this Section 6.3, (B) such Delayed Business Purchaser has obtained or will obtain prior to such sale all necessary Approvals under applicable Antitrust Laws with respect to such Delayed Business

and the sale of such Delayed Business would reasonably be expected to be consummated within ninety (90) days following the delivery of such Delayed Business Notice, (C) the sale of such Delayed Business to such Delayed Business Purchaser is not prohibited by, illegal under, or in contravention of, any applicable Law or Governmental Order and (D) neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall be the selling party under any agreements required to implement the transfer of the Delayed Business unless and except to the extent required by the relevant Governmental Antitrust Authority or applicable Law and, even if so required, shall have no direct or indirect obligation thereunder for which they are not fully indemnified by Purchaser. The Parties agree (I) that neither Purchaser Parent nor Seller Parent nor any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements or transactions contemplated by this Section 6.3(e)(iii) and (II) that Purchaser shall indemnify Purchaser Parent and Seller Parent and their respective Affiliates (other than Purchaser and its Subsidiaries) for any Liabilities arising from, or attributable or related to, any such agreements, arrangements or transactions, including with respect to any agreements to which Seller Parent or Purchaser Parent or any of their respective Affiliates are party (except in the case of (I) and (II) to the extent Seller Parent or Purchaser Parent, as applicable, is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement). Purchaser shall promptly reimburse Seller Parent and Purchaser Parent, as applicable, for any and all reasonable and documented out-of-pocket costs and expenses (including reasonable attorneys' and other Representatives' fees) incurred in connection with the foregoing, including any such costs (including payments) or expenses incurred or made following the consummation of such transaction. Subject to applicable Law, the proceeds of any sale of a Delayed Business shall be paid directly to Purchaser (or a Subsidiary of Purchaser) by the Delayed Business Purchaser; provided that Seller Parent or Purchaser Parent, as applicable, may require payment of its reasonable and documented out-of-pocket fees and expenses (or an estimate thereof) and any Taxes payable as a result of such transaction from such proceeds as a direct wire transfer of immediately available funds at such applicable closing.

(iv) In the event that a Delayed Antitrust Approval is not obtained with respect to a Delayed Business and Purchaser does not deliver a Delayed Business Notice in accordance with Section 6.3(e)(iii) with respect to such Delayed Business, in each case, prior to the Hold-Back Termination Date, the Parties shall withdraw any pending Filing or notification for Approval for the transfer of such Delayed Business under applicable Antitrust Laws and Seller Parent may, as mutually agreed by the Parties, dispose of such Delayed Business, including by way of a sale to a third party. Purchaser Parent and Purchaser agree (1) that Seller Parent and its Affiliates shall not have any obligation or Liability, including with respect to indemnification obligations, in respect of any agreements, arrangements or transactions contemplated by this Section 6.3(e)(iv) for which it is not fully

indemnified by Purchaser and (2) that Purchaser shall indemnify Seller Parent and its Affiliates for any Liabilities arising from, or attributable or related to, any such agreements, arrangements or transactions, including with respect to any agreements to which Seller Parent or any of its Affiliates are party (except in the case of (1) and (2) to the extent Seller Parent is expressly liable for such Liabilities or indemnification pursuant to this Agreement or any Ancillary Agreement). Purchaser shall promptly reimburse Seller Parent for any and all reasonable and documented out-of-pocket costs and expenses (including reasonable attorneys' and other Representatives' fees) incurred in connection with the foregoing, including any such costs (including payments) or expenses incurred or made following the consummation of such transaction. Subject to applicable Law, the proceeds of any sale of a Delayed Business in accordance with this Section 6.3(e)(iv) shall be paid directly to Purchaser (or a Subsidiary of Purchaser) by the purchaser of such Delayed Business; provided that Seller Parent may require payment of its reasonable and documented out-of-pocket fees and expenses (or an estimate thereof) and any Taxes payable as a result of such transaction from such proceeds as a direct wire transfer of immediately available funds at such applicable closing.

(f) None of Purchaser Parent, Purchaser or any of their Affiliates shall, or shall agree to, acquire, whether by merging with or into, consolidating with, purchasing all or a portion of the assets of or all or a portion of the equity in, or otherwise, any business or corporation, partnership, or other business organization or division thereof or other Person, or dissolve, merge or consolidate with any other Person, or engage in any business combination transaction or sale, whether by merging with or into, consolidating with, or selling all or a portion of its or its Affiliates' assets or equity to, any other Person, or enter into, or agree to enter into, any license, joint venture or other similar agreement or transaction, which would reasonably be expected to, in each case or in the aggregate, (i) impose any material delay in the obtaining of, or increase in any material respect the risk of not obtaining, the expiration, termination or waiver of any applicable waiting period or any consent, approval, permit, ruling, authorization, clearance or other Approval pursuant to the Antitrust Laws necessary to consummate the transactions contemplated hereby or by the Ancillary Agreements, (ii) increase in any material respect the risk of any Governmental Antitrust Authority entering an injunction or other Governmental Order prohibiting the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (iii) increase in any material respect the risk of not being able to remove any such injunction or other Governmental Order on appeal or otherwise, (iv) impair, impede, hinder, or prevent or materially delay or adversely affect the consummation of the transactions contemplated hereby or by the Ancillary Agreements or (v) cause any of the conditions set forth in Article VIII to fail to be satisfied or impair, impede, hinder, or prevent or materially delay or adversely affect the ability of Purchaser Parent, Purchaser and their Affiliates to perform their obligations under this Agreement and the Ancillary Agreements (any foregoing action or transaction, a "Purchaser Adverse Action").

(g) Neither Seller Parent nor any of its Affiliates shall, or shall agree to, acquire, whether by merging with or into, consolidating with, purchasing all or a portion of the assets of or all or a portion of the equity in, or otherwise, any business or corporation, partnership, or other business organization or division thereof or other Person, or dissolve, merge or consolidate with

any other Person, or engage in any business combination transaction or sale, whether by merging with or into, consolidating with, or selling all or a portion of its or its Affiliates' assets or equity to, any other Person, or enter into, or agree to enter into, any license, joint venture or other similar agreement or transaction, which would reasonably be expected to, in each case or in the aggregate, (i) impose any material delay in the obtaining of, or increase in any material respect the risk of not obtaining, the expiration, termination or waiver of any applicable waiting period or any consent, approval, permit, ruling, authorization, clearance or other Approval pursuant to the Antitrust Laws necessary to consummate the transactions contemplated hereby or by the Ancillary Agreements, (ii) increase in any material respect the risk of any Governmental Antitrust Authority entering an injunction or other Governmental Order prohibiting the consummation of the transactions contemplated hereby or by the Ancillary Agreements, (iii) increase in any material respect the risk of not being able to remove any such injunction or other Governmental Order on appeal or otherwise, (iv) impair, impede, hinder, or prevent or materially delay or adversely affect the consummation of the transactions contemplated hereby or by the Ancillary Agreements or (v) cause any of the conditions set forth in Article VIII to fail to be satisfied or impair, impede, hinder, or prevent or materially delay or adversely affect the ability of Seller Parent and its Affiliates to perform their obligations under this Agreement and the Ancillary Agreements.

(h) Each Party may, as each deems advisable or necessary, reasonably designate any competitively sensitive material provided to the other under this Section 6.3 or otherwise as "Antitrust Counsel Only Material" or some similar notation agreed by the Parties. Such materials and the information contained therein shall be given only to the internal and outside antitrust counsel of the recipient and will not be disclosed by such counsel to employees, officers or directors of the recipient and any economic consultants retained in connection with the Parties' obligations under this Section 6.3 unless express permission is obtained in advance from the source of the materials (Seller Parent, Purchaser Parent or Purchaser, as the case may be) or its legal counsel. Notwithstanding anything to the contrary in this Section 6.3, and without limiting the restrictions on access and disclosure set forth in Section 6.1(a), materials provided to the other Party or its counsel pursuant to this Agreement may be redacted (i) as necessary to comply with contractual requirements, (ii) as necessary to address attorney-client or other privilege or protection or confidentiality concerns and (iii) to remove references concerning the valuation of the Purchased Assets, the Business, or the Purchaser Business (or the Retained Businesses or Purchaser Parent Retained Businesses).

(i) Purchaser shall be responsible for the payment of all filing and other fees owed to any Governmental Authority in connection with the Filings to be made, and Approvals to be obtained, pursuant to this Section 6.3.

Section 6.4 Reasonable Best Efforts; Further Assurances.

(a) Under the terms and subject to the conditions set forth herein, except as otherwise provided in this Agreement or any Ancillary Agreement (and subject to Section 6.3), each of the Parties agrees to use and to cause its Affiliates to use its reasonable best efforts before and, as may be applicable, after the Closing Date, until the earlier to occur of (i) thirty-six (36) months following the Closing Date and (ii) the completion of a Listing Transaction (as defined in the

Purchaser Shareholders Agreement), to take or cause to be taken all action, to do or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws (other than with respect to Antitrust Laws, which are the subject of Section 6.3, and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24) to consummate and make effective, as promptly as practicable, the transactions contemplated by this Agreement and the Ancillary Agreements, including: (a) the satisfaction of the conditions precedent to the obligations of any of the Parties, (b) the obtaining of all necessary actions, consents, approvals, waivers and other Approvals of all Governmental Authorities under applicable Law (other than with respect to Antitrust Laws, which are the subject of Section 6.3, and with respect to the Purchaser Parent Shareholder Approval, which is the subject of Section 6.24), (c) without limiting the obligations of the Parties set forth in Section 6.3, the defending of any Action, whether judicial or administrative, challenging this Agreement or the performance of the obligations hereunder, (d) the effecting of all registrations, filings and transfers of Governmental Authorizations (including Environmental Permits) that constitute Purchased Assets, and the effecting of all registrations, filings and transfers of any licenses, permits, certificates or other authorizations or approvals which constitute Excluded Assets to be transferred to Seller Parent or any Retained Subsidiary and (e) the executing, acknowledging and delivering of such documents and instruments and the taking of such other actions as may reasonably be requested by the other Party in furtherance of the matters described in the foregoing clauses (a) through (d); provided that except as otherwise expressly provided by this Agreement or any Ancillary Implementing Agreement, including Section 6.3, none of Seller Parent, Purchaser Parent or any of their respective Affiliates shall be required to expend any money, commence any litigation or offer or grant any accommodation (financial or otherwise) in connection with the foregoing (other than filing and other fees owed to any Governmental Authority in connection with any Filings to be made with or Approvals to be obtained from Governmental Authorities, for which Purchaser shall be responsible and shall reimburse Seller Parent and its Affiliates). Purchaser agrees to provide such reasonable security and assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any Governmental Authority whose Approval is sought in connection with the transactions contemplated hereby.

(b) Without limiting and in furtherance of the provisions of Section 6.4(a), and in order to facilitate the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements on a timely basis, promptly following the date hereof Seller Parent and Purchaser Parent shall organize a transition team (the "Transition Team"), co-chaired by a representative of Seller Parent and by a representative of Purchaser Parent and including equal representation of Seller Parent and Purchaser Parent, which Transition Team shall, following the Closing, have responsibility for (A) coordinating and directing the efforts of the Parties with respect to (1) the administration and coordination of the Ancillary Agreements following the Closing, (2) subject to the terms of this Agreement, including Section 2.2, Section 6.3 and Section 6.4(a), the process for seeking applicable third party consents, Approvals, and Governmental Authorizations and making required filings or notices in connection with the consummation of the transactions contemplated hereby, and (3) coordinating and directing the efforts of the Parties with respect to Shared Contracts in accordance with Section 2.2 as well as the efforts of the Parties with respect to the assets and liabilities contemplated by Section 2.2, (B) coordinating communications, public relations and investor relations strategy and approach of the Parties regarding this Agreement and

the transactions contemplated hereby in accordance with this Agreement, and (C) overseeing other business and operational matters relating to this Agreement and the transactions contemplated hereby in accordance with this Agreement, in the case of each of clauses (A), (B) and (C), subject to applicable Laws, including Laws regarding the exchange of information and Antitrust Laws, and the other provisions of this Agreement, including those regarding access and cooperation (it being understood that this Section 6.4(b) is intended to facilitate the administration of the matters referred to herein and is not intended to expand the scope of or alter the substantive rights and obligations of the Parties under any other provisions of this Agreement).

(c) Purchaser Parent shall develop, in consultation with Seller Parent, a detailed written transition plan (the "Transition Plan") which shall set forth integration planning goals, activities and processes with respect to the period from the date hereof through the Closing Date and the transition activities to be implemented after the Closing Date. The Transition Plan shall also include reasonably detailed plans in respect of the matters set forth in Section 6.4(c) of the Purchaser Parent Disclosure Letter. The Parties acknowledge and agree that the Transition Plan shall be prepared for convenience and informational purposes only, shall not be binding on any Party or its respective Affiliates, and the taking of, or failure to take, any action set forth in the Transition Plan shall in no event be a condition to the obligations of either Party to consummate the Sale and the other transactions contemplated by this Agreement.

(d) Purchaser Parent shall consult in good faith with Seller Parent prior to the Closing regarding (i) the identity of the initial direct reports to the Chief Executive Officer and to the Chief Financial Officer of Purchaser and (ii) the initial Business Plan (as defined in the Purchaser Shareholders Agreement), including any updates to any draft Business Plan previously provided, to be adopted by Purchaser as of the Closing. If, as part of such consultation, Seller Parent wishes to escalate any matter regarding the foregoing matters, it shall be entitled to convene, on reasonable notice, a meeting between the Chief Executive Officers of Seller Parent and Purchaser Parent to discuss such matters. In the event any disagreements regarding the foregoing matters cannot be resolved by such Chief Executive Officers prior to the Closing, the Chief Executive Officer of Purchaser Parent shall make the final determination with respect thereto.

Section 6.5 Tax Matters.

(a) Preparation and Filing of Tax Returns.

(i) Seller Parent shall prepare or cause to be prepared all (A) Tax Returns that include Seller Parent or any of its Affiliates (other than any Conveyed Subsidiary or any Subsidiary thereof), on the one hand, and any Conveyed Subsidiary or Subsidiary thereof, on the other hand ("Seller Combined Tax Returns") and (B) Tax Returns of the Conveyed Subsidiaries (and their Subsidiaries) for any Pre-Closing Tax Period other than any Straddle Period ("Pre-Closing Separate Tax Returns"). All Pre-Closing Separate Tax Returns shall, where applicable, be prepared in a manner consistent with the past practices of the applicable Conveyed Subsidiary (or Subsidiary thereof), other than as required as a result of the Seller Internal Restructurings and except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law. In the case of any Pre-Closing

Separate Tax Return that is required to be filed after the Closing (taking into account any applicable extensions), Seller Parent shall deliver to Purchaser for its review and comment, at least thirty (30) days, in the case of Income Tax Returns, and fifteen (15) days, in the case of non-Income Tax Returns, prior to the due date for the filing of such Pre-Closing Separate Tax Return (taking into account any applicable extensions), a draft copy of such Pre-Closing Separate Tax Return, together with any additional information that Purchaser may reasonably request. Purchaser shall have the right to review such Pre-Closing Separate Tax Return and any such additional information prior to the filing of such Pre-Closing Separate Tax Return, and Seller Parent shall consider in good faith any reasonable comments submitted by Purchaser at least fifteen (15) days, in the case of Income Tax Returns, and five (5) days, in the case of non-Income Tax Returns, prior to the due date of such Pre-Closing Separate Tax Return (taking into account any applicable extensions). Purchaser shall timely file (taking into account any applicable extensions), or cause to be timely filed, such Pre-Closing Separate Tax Returns as prepared by Seller Parent (and as may be revised by Seller Parent to reflect any comments received from Purchaser pursuant to the immediately preceding sentence), provided that such Tax Return was delivered to Purchaser at least five (5) days, in the case of Income Tax Returns, and three (3) days, in the case of non-Income Tax Returns, prior to the due date for filing such Tax Return (taking into account any applicable extensions). Seller Parent shall timely file, or cause to be timely filed (taking into account any applicable extensions), any Seller Combined Tax Returns and any Pre-Closing Separate Tax Returns that are due prior to the Closing (taking into account any applicable extensions) and pay any Taxes due on any such Tax Return and, at least three (3) days before any Pre-Closing Separate Tax Return that is required to be filed after the Closing is due (taking into account any applicable extensions), shall pay Purchaser (or a Subsidiary of Purchaser designated by Purchaser) the amount of Taxes shown as due thereon to the extent any such Taxes are Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement.

(ii) Other than Tax Returns for which Seller Parent is responsible pursuant to Section 6.5(a)(i) and any Tax Returns described in Section 6.5(g)(iii), Purchaser shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Conveyed Subsidiaries and their Subsidiaries (taking into account any applicable extensions). Any such Tax Return required to be filed by Purchaser for a Tax period that includes (but does not end on) the Closing Date (any such Tax period, a "Straddle Period," and any such Tax Return, a "Straddle Period Tax Return,") and any Tax Return (or relevant portion thereof) of Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) that includes or reflects (or is required to include or reflect) Seller Indemnified Taxes for which Seller Parent would reasonably be expected to be liable pursuant to this Agreement (any such Tax Return, or relevant portion thereof, or any Straddle Period Tax Return, a "Seller Indemnifiable Tax Return") shall, where applicable, be prepared (1) in a manner consistent with the past practices of the applicable Conveyed Subsidiary (or Subsidiary thereof), other than as required as a

result of the Seller Internal Restructurings and except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law or such position would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement and (2) in accordance with the terms of this Agreement. With respect to any Seller Indemnifiable Tax Return, Purchaser shall deliver to Seller Parent for its review, comment and approval, at least thirty (30) days, in the case of Income Tax Returns, and fifteen (15) days, in the case of non-Income Tax Returns, prior to the due date for the filing of such Seller Indemnifiable Tax Return (taking into account any applicable extensions), a statement setting forth the amount of Tax for which Seller Parent is responsible pursuant to Section 6.5(d)(i) and a copy of such Seller Indemnifiable Tax Return, together with any additional information that Seller Parent may reasonably request. Seller Parent shall have the right to review such Seller Indemnifiable Tax Return, statement and any additional information prior to the filing of such Seller Indemnifiable Tax Return, and Purchaser shall reflect on such Seller Indemnifiable Tax Return, as filed, any reasonable comments submitted by Seller Parent at least fifteen (15) days, in the case of Income Tax Returns, and five (5) days, in the case of non-Income Tax Returns, prior to the due date of such Seller Indemnifiable Tax Return (taking into account any applicable extensions) to the extent any such comments would not be reasonably expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement. Seller Parent shall, at least three (3) days before any Tax Return that Purchaser is obligated to file under Section 6.5(a) (ii) is due, pay Purchaser (or a Subsidiary of Purchaser designated by Purchaser) the amount of Taxes shown as due thereon to the extent any such Taxes are Seller Indemnified Taxes.

(iii) Neither Purchaser nor any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) shall amend or revoke any Pre-Closing Separate Tax Return or Straddle Period Tax Return, or agree to any waiver or extension of the statute of limitations, relating to Taxes with respect to any Conveyed Subsidiary (or any Subsidiary thereof) for a Pre-Closing Tax Period, without the prior written consent of Seller Parent (which consent shall not be unreasonably withheld, conditioned or delayed). Upon Seller Parent's reasonable request, at the sole cost and expense of Seller Parent, Purchaser shall file, or cause to be filed, any amended Pre-Closing Separate Tax Return in the form and substance reasonably requested by Seller Parent and in a manner consistent with the past practices of the applicable Conveyed Subsidiary or its Subsidiary (other than as required as a result of the Seller Internal Restructurings), except to the extent that there is not at least a "more likely than not" basis for a position under applicable Law, provided that Purchaser shall not be required to file any such amended Tax Return to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement or otherwise result in commercial consequences that materially and adversely affect Purchaser.

(iv) Notwithstanding anything herein to the contrary, this Section 6.5(a) shall not apply to any Tax Returns in respect of Transfer Taxes described in Section 6.5(j) or any VAT described in Section 6.5(k).

(b) Carryforwards and Carrybacks. Purchaser shall cause the Conveyed Subsidiaries and their Subsidiaries, to the extent permitted by applicable Law, not to carry back into any Pre-Closing Tax Period, and to carry forward into any taxable period beginning after the Closing Date any Tax Asset arising after the Closing Date (a "Subsequent Loss") that could, whether in the absence of an election or otherwise, be carried back to a Pre-Closing Tax Period. Purchaser shall take, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to take, all steps reasonably necessary to avoid such carry back (and achieve such carryforward), including by making all necessary elections. If a Subsequent Loss is not permitted by applicable Law to be carried forward into any taxable period beginning after the Closing Date and is required to be carried back into any Pre-Closing Tax Period, then after providing notice to Seller Parent of such required carryback, Purchaser and its Subsidiaries shall be entitled to any refund of Taxes resulting from any carryback of such Subsequent Loss into any such Pre-Closing Tax Period; provided that Purchaser shall indemnify and hold Seller Parent and its Affiliates harmless from and against any Tax Liability resulting from the carryback of a Subsequent Loss and any other costs and expenses associated with or incurred in connection with obtaining, collecting or paying over a refund resulting from such carryback to the extent such carryback of a Subsequent Loss is reflected on a Seller Combined Tax Return. To the extent any such Subsequent Loss or related refund is subsequently disallowed or required to be returned by Seller Parent or its Affiliates to a Governmental Authority, Purchaser agrees to promptly repay any amounts previously paid over by Seller Parent to Purchaser (or its Subsidiaries) in respect of such Subsequent Loss or related refund, together with any interest, penalties or other additional amounts imposed by such Governmental Authority, to Seller Parent.

(c) Refunds and Other Tax Benefits.

(i) Any Loss or Tax that Seller Parent or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries prior to the Closing), on the one hand, or Purchaser Parent or any of its Affiliates on the other hand, is responsible for under this Agreement (including pursuant to this Section 6.5, Section 6.6 or Article VII, and including any amounts that are economically borne by Seller Parent or Purchaser Parent, as the case may be, through an adjustment under Section 2.8 or Section 2.9), shall be determined net of any Tax Benefit arising from any Tax Item in respect of any such Loss or Tax realized in the taxable year of such Loss or Tax or the subsequent two taxable years. If any such Tax Benefit was not included in the initial computation of such Loss or Tax, the Purchaser shall pay to Seller Parent or Purchaser Parent, as the case may be, the amount of the applicable Tax Benefit. The amount of any payment for a Tax Benefit that is due under the prior sentence shall be paid within fifteen (15) days of the filing of the Tax Return with respect to

which the Tax Benefit is actually realized (or, if the Tax Benefit is in the form of an increased cash Tax refund, within fifteen (15) days of the receipt of such cash Tax refund from the applicable Governmental Authority). To the extent permitted to be claimed or deducted on a "more likely than not" basis on an applicable relevant Tax Return, Purchaser shall, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to claim any Tax Item in respect of any Loss or Tax described in the first sentence of this Section 6.5(c) resulting in a Tax Benefit described in this Section 6.5(c) on such Tax Return.

(ii) Without duplication of amounts covered by Section 6.5(c)(i), Seller Parent shall be entitled to any refund or credit against any Seller Indemnified Taxes for which Seller Parent is liable pursuant to this Agreement except to the extent any such refund or credit was (A) reflected as an asset on the Final Closing Statement and taken into account in the calculation of the Final Business Working Capital or Final Business Net Cash (with respect to the determination of Seller Accrued Income Taxes to the extent offsetting a Tax Liability in such calculation), (B) is described in Section 6.5(b), or (C) is required to be paid to any other Person pursuant to any Contract entered into prior to the Closing by a Conveyed Subsidiary or any Subsidiary thereof. Purchaser shall be entitled to any refunds or credits of or against any Taxes of the Conveyed Subsidiaries (and their Subsidiaries) other than refunds or credits to which Seller Parent is entitled pursuant to the foregoing sentence. If Seller Parent determines that any of the Conveyed Subsidiaries (or Subsidiaries thereof) is entitled to file or make a formal or informal claim for a refund of Taxes (including by filing an amended Tax Return) to which Seller Parent would be entitled under this Section 6.5(c)(ii), Seller Parent shall be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Conveyed Subsidiary or Subsidiary thereof) file or make, such formal or informal claim for refund, and Seller Parent shall be entitled to control the prosecution of such claim for refund as if such claim was a Tax Proceeding described in Section 6.5(e)(iii) and Seller Parent were the Controlling Party provided, that Seller Parent shall not be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Conveyed Subsidiary or Subsidiary thereof) file or make, such formal or informal claim for refund to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Seller Indemnified Taxes for which Seller Parent is responsible under this Agreement or otherwise result in consequences that materially and adversely affect Purchaser. Purchaser shall reasonably cooperate, and cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to reasonably cooperate, with respect to any such request by Seller Parent or in any such claim for refund, and shall pay or cause to be paid to Seller Parent the amount (including interest) of any related refund or credit received by Purchaser or any Affiliate thereof (including any Conveyed Subsidiary or Subsidiary thereof), net of any costs, expenses and Taxes occurred in obtaining, collecting or paying over such refund, credit, offset or other similar benefit within fifteen (15) days of receipt (or realization) thereof. Any refund of, or credit against, Taxes that is received or realized with respect to Taxes attributable to any Conveyed Subsidiary (or Subsidiary thereof), the Purchased Assets or the Business for a Straddle Period shall be equitably apportioned between Seller Parent and Purchaser in a manner consistent with the principles set forth in Section 6.5(d)(iii) and the first sentence of this Section 6.5(c)(ii).

(iii) Without duplication of amounts covered by Section 6.5(c)(i), Purchaser Parent shall be entitled to any refund or credit against any Purchaser Parent Indemnified Taxes for which Purchaser Parent is responsible under this Agreement except to the extent any such refund or credit was (A) reflected as an asset on the Final Closing Statement and taken into account in the calculation of the Final Purchaser Working Capital or Final Purchaser Net Cash (with respect to the determination of Purchaser Accrued Income Taxes to the extent offsetting a Tax Liability in such calculation) or (B) required to be paid to any other Person pursuant to any Contract entered into prior to the Closing by Purchaser or any Subsidiary thereof. Purchaser shall be entitled to any refunds or credits of or against any Taxes of Purchaser or the Subsidiaries of Purchaser (other than the Conveyed Subsidiaries (and their Subsidiaries)) other than refunds or credits to which Purchaser Parent is entitled pursuant to the foregoing sentence. If Purchaser Parent determines that Purchaser or any of the Subsidiaries of Purchaser (other than the Conveyed Subsidiaries (and their Subsidiaries)) is entitled to file or make a formal or informal claim for a refund of Taxes (including by filing an amended Tax Return) to which Purchaser Parent would be entitled under this Section 6.5(c)(iii), Purchaser Parent shall be entitled to file or make, or to request that Purchaser or its relevant Affiliate (including the applicable Subsidiary of Purchaser thereof) file or make, such formal or informal claim for refund, and Purchaser Parent shall be entitled to control the prosecution of such claim for refund as if such claim was a Tax Proceeding described in Section 6.5(e)(iii) and Purchaser Parent were the Controlling Party; provided that Purchaser Parent shall not be entitled to file or make, or to request that Purchaser or its relevant Affiliate file or make, such formal or informal claim for refund to the extent it would reasonably be expected to result in Purchaser or its Subsidiaries being liable for any material Taxes that are not Purchaser Parent Indemnified Taxes for which Purchaser Parent is responsible under this Agreement or otherwise result in consequences that materially and adversely affect Purchaser. Purchaser shall reasonably cooperate, and cause its Affiliates to reasonably cooperate, with respect to any such request by Purchaser Parent or in any such claim for refund, and shall pay or cause to be paid to Purchaser Parent the amount (including interest) of any related refund or credit received or realized by Purchaser or any Affiliate thereof (including any Conveyed Subsidiary or Subsidiary thereof), net of any costs, expenses and Taxes occurred in obtaining, collecting or paying over such refund or credit within fifteen (15) days of receipt (or realization) thereof. Any refund of, or credit against, Taxes that is received or realized with respect to Taxes attributable to Purchaser or its Subsidiaries (other than the Conveyed Subsidiaries (and their Subsidiaries)) for a Straddle Period shall be equitably apportioned between Purchaser Parent and Purchaser in a manner consistent with the principles set forth in Section 6.5(d)(iii) and the first sentence of this Section 6.5(c)(iii).

(d) Tax Indemnification.

(i) Subject to Section 6.5(d)(v), from and after the Closing, Seller Parent agrees to indemnify and hold harmless Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries after the Closing Date) (collectively, the "Purchaser Tax Indemnified Parties") from and against all liability, without duplication, for (1) Taxes of the Conveyed Subsidiaries and their Subsidiaries for any Pre-Closing Tax Period (including any Taxes payable in respect of an election under Section 965(h) of the Code), (2) Taxes of any Seller (other than any Transfer Taxes and VAT for which Purchaser is responsible hereunder) including, Taxes (other than Taxes of the Conveyed Subsidiaries and their Subsidiaries) imposed with respect to, arising out of or relating to the Purchased Assets or the Business for a Pre-Closing Tax Period, (3) Taxes of any Person (other than the Conveyed Subsidiaries and their Subsidiaries) for a Pre-Closing Tax Period for which any Conveyed Subsidiary (or any Subsidiary thereof) is liable under Treasury Regulation Section 1.1502-6 (or a similar provision of state, local or foreign Law), or as a transferee or successor or by Contract (other than Contracts that do not relate primarily to Taxes), (4) Taxes arising out of or resulting from any breach of any covenant or agreement of Seller Parent or any of its Affiliates contained in this Agreement, (5) Taxes for a Pre-Closing Tax Period imposed on (x) any transaction effected pursuant to Section 2.3(b), (y) any settlement of any intercompany accounts of Seller Parent or its Subsidiaries pursuant to Section 6.7, or (z) any transaction or step forming part of the Seller Internal Restructurings, (6) Transfer Taxes for which Seller Parent is responsible under Section 6.5(j), (7) Taxes required to be deducted or withheld with respect to the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9, including any penalties imposed on Purchaser as a result of Purchaser's failure to deduct or withhold any such amounts that Purchaser (or a Purchaser Designated Affiliate) was permitted to withhold under Section 2.10 (in each case, subject to Purchaser's compliance with the notice and cooperation requirements of Section 2.10 and except for any such Taxes (and any related penalties) required to be deducted or withheld solely as a result of any assignment by Purchaser or its Affiliates for which Purchaser is responsible pursuant to Section 10.3), (8) Taxes arising from any breach of any representation or warranty contained in Section 4.16(k), (9) Taxes arising as a result of any Conveyed Subsidiary or any Subsidiary of any Conveyed Subsidiary at any time ceasing to be a member of a group for the purposes of any Tax, of which group Seller Parent or any Subsidiary of Seller Parent is or was also a member and (10) any costs and expenses, including reasonable legal and accounting fees and expenses, attributable to any item described in clauses (1) through (9) (any such Taxes for which Seller Parent is responsible pursuant to this Section 6.5(d)(i), subject to the following proviso, "Seller Indemnified Taxes"); provided that Seller Parent shall not be required to indemnify or hold harmless any Purchaser Tax Indemnified Party from and against any liability pursuant to this Section 6.5(d)(i) for (A) Taxes attributable to any action taken after the Closing by Purchaser, any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), or any transferee of Purchaser or any of its Affiliates

(including the Conveyed Subsidiaries and their Subsidiaries), other than any such action that (1) is in the ordinary course of business, (2) is expressly permitted or contemplated by this Agreement, or (3) is required to be taken in order to comply with applicable Law or as a result of a change in applicable Law (a "Purchaser Tax Act"), (B) Taxes that were reflected, accrued or reserved for in the Final Closing Statement, Final Business Working Capital, or Final Business Net Cash, (C) Income Taxes to the extent that a Conveyed Subsidiary or any Subsidiary thereof had any Tax Assets as of the close of business on the Closing Date that were available, or would have been available but for their prior utilization by Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing) to offset or otherwise reduce the applicable Tax Liability in respect of such Income Taxes (except any Tax Asset reflected as an asset in the Final Closing Statement and taken into account in the calculation of the Final Business Working Capital or the Final Business Net Cash), or (D) Taxes for which Purchaser Parent is responsible under Section 6.5(d)(ii).

(ii) Subject to Section 6.5(d)(v), from and after the Closing, Purchaser Parent shall indemnify and hold harmless the Purchaser Tax Indemnified Parties from and against all liability, without duplication, for (1) all Taxes of Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries) for any Tax period (other than Transfer Taxes and VAT for which Seller Parent is responsible hereunder), (2) Taxes of Purchaser and its Subsidiaries (other than the Conveyed Subsidiaries and their Subsidiaries) for any Pre-Closing Tax Period, (3) Taxes of any Person for a Pre-Closing Tax Period for which Purchaser (or any Subsidiary thereof other than any Conveyed Subsidiaries and their Subsidiaries) is liable under Treasury Regulation Section 1.1502-6 (or a similar provision of state, local or foreign Law), or as a transferee or successor or by Contract (other than Contracts that do not relate primarily to Taxes), (4) Taxes arising out of or resulting from any breach of any covenant or agreement of Purchaser Parent, Purchaser or their respective Affiliates contained in this Agreement, (5) Transfer Taxes for which Purchaser Parent is responsible under Section 6.5(j), (6) Taxes arising from any breach of any representation or warranty in Section 5.17(k), (7) Taxes for a Pre-Closing Tax Period imposed on (x) any settlement of any intercompany accounts of Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, pursuant to Section 6.7 or (y) any transaction or step forming part of the Purchaser Internal Restructurings, (8) Taxes required to be deducted or withheld with respect to any amounts payable to Purchaser Parent pursuant to Section 2.8 or Section 2.9, including any penalties imposed on Purchaser as a result of Purchaser's failure to deduct or withhold any such amounts, (9) Taxes arising as a result of Purchaser or any Subsidiary of Purchaser (other than any Conveyed Subsidiary or a Subsidiary thereof) at any time ceasing to be a member of a group for the purposes of any Tax, of which group Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser or any Subsidiary of Purchaser) is or was also a member and (10) any costs and expenses, including reasonable legal and accounting fees and expenses,

attributable to any item described in clauses (1) through (9) (any such Taxes for which Purchaser Parent is responsible pursuant to this Section 6.5(d)(ii), subject to the following proviso, "Purchaser Parent Indemnified Taxes"); provided that Purchaser Parent shall not be required to indemnify or hold harmless any Purchaser Tax Indemnified Party from and against any liability for (A) Taxes attributable to any action taken after the Closing by Seller Parent or any of its Affiliates, other than any such action that (1) is in the ordinary course of business, (2) is expressly permitted or contemplated by this Agreement, or (3) is required to be taken in order to comply with applicable Law or as a result of a change in applicable Law (a "Seller Tax Act"), (B) Taxes that were reflected, accrued or reserved for in the Final Closing Statement, Final Purchaser Working Capital or the Final Purchaser Net Cash, (C) Income Taxes to the extent that Purchaser or any Subsidiary thereof had any Tax Assets as of the close of business on the Closing Date that were available, or would have been available but for their prior utilization by Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries after the Closing), to offset or otherwise reduce the applicable Tax Liability in respect of such Income Taxes (except any Tax Asset reflected as an asset in the Final Closing Statement and taken into account in the calculation of the Final Purchaser Working Capital or the Final Purchaser Net Cash), or (D) Taxes for which Seller Parent is responsible under Section 6.5(d)(i).

(iii) To the extent permitted or required by applicable Law, the taxable year of each of the Conveyed Subsidiaries and their Subsidiaries and any Subsidiary of Purchaser that includes the Closing Date shall be treated as closing on (and including) the Closing Date. Otherwise, for purposes of this Agreement, in the case of any Straddle Period:

(A) Property Taxes allocable to the Pre-Closing Tax Period shall be computed based upon the ratio of the number of days in the Pre-Closing Tax Period to the number of days in the entire Straddle Period; and

(B) Taxes (other than Property Taxes) allocable to the Pre-Closing Tax Period shall be computed as if such Tax period ended as of the close of business on the Closing Date and, in the case of any Taxes of Conveyed Subsidiaries (and their Subsidiaries) and Seller Parent, or in the case of any Taxes of Purchaser Parent and Purchaser (and their Subsidiaries prior to the Closing), in each case attributable to the ownership of any equity interest in any partnership or other "flow through" entity for tax purposes (including of any "controlled foreign corporation," as defined under the Code) as if the Tax period of such partnership or other "flow through" entity ended as of the close of business on the Closing Date with the Taxes of such entity for the Pre-Closing Tax Period deemed to include any Taxes on the allocable income of such entity in respect of such Tax period; provided that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period beginning after the Closing Date in proportion to the number of days in each period.

(iv) Any claim for indemnification under this Section 6.5(d) shall be made in writing upon the party from whom indemnification is sought, and shall specify in reasonable detail the basis for such claim. Any indemnity payment required to be made pursuant to this Section 6.5(d) shall be made within thirty (30) days after the indemnified party makes written demand upon the indemnifying party, but in no case earlier than five (5) Business Days prior to the date on which the relevant Taxes are required to be paid to the applicable Taxing Authority.

(v) With respect to any Taxes suffered or incurred by any Conveyed Subsidiary (or any Subsidiary thereof) that was not wholly owned by Seller Parent (directly or indirectly) as of immediately prior to the Closing, the indemnification obligations of Seller Parent pursuant to Section 6.5 (d)(i) in respect of such Taxes (or related costs and expenses) shall in no event exceed an amount equal to (A) the amount of such Taxes (or related costs and expenses) for which the Purchaser Tax Indemnified Parties would otherwise be entitled to indemnification pursuant to Section 6.5(d), as if such Conveyed Subsidiary (or any Subsidiary thereof) were wholly owned by Seller Parent, *multiplied by* (B) the direct and indirect percentage ownership of Seller Parent of such Conveyed Subsidiary (or Subsidiary thereof) as of immediately prior to the Closing. With respect to any Taxes suffered or incurred by any Subsidiary of Purchaser Parent (including Purchaser and its Subsidiaries) that was not wholly owned by Purchaser Parent (directly or indirectly) as of immediately prior to the Closing, the indemnification obligations of Purchaser Parent pursuant to Section 6.5(d)(ii) in respect of such Taxes (or related costs and expenses) shall in no event exceed an amount equal to (A) the amount of such Taxes (or related costs and expenses) for which the Purchaser Tax Indemnified Parties would otherwise be entitled to indemnification pursuant to Section 6.5(d), as if such Subsidiary were wholly owned by Purchaser Parent, *multiplied by* (B) the direct and indirect percentage ownership of Purchaser Parent of such Subsidiary as of immediately prior to the Closing.

(vi) Without duplication to any other amounts paid pursuant to this Section 6.5:

(A) Within thirty (30) days following the filing of any Income Tax Return for any Conveyed Subsidiary (or any Subsidiary thereof), on the one hand, or Purchaser (or any Subsidiary thereof, other than the Conveyed Subsidiaries and their Subsidiaries), on the other hand, for any Pre-Closing Tax Period or for any Straddle Period, Seller Parent or Purchaser Parent shall (or Purchaser Parent shall cause Purchaser to) prepare a statement showing (i) the amount of Income Taxes shown as due on such filed Income Tax Return with respect to the relevant Pre-Closing Tax Period or the portion of any Straddle Period ending on and including the Closing Date (the "Final Pre-Closing Income Tax Amount") and (ii) the amount of the Seller

Accrued Income Taxes or Purchaser Accrued Income Taxes, as applicable, attributable to such Income Tax Return as reflected on the Final Closing Statement (the "Pre-Closing Income Tax Amount") and deliver such statement to Seller Parent and Purchaser Parent, as applicable. Purchaser Parent or Seller Parent, as applicable, shall have a period of fifteen (15) Business Days to provide comments to a schedule prepared (or caused to be prepared) by Seller Parent or Purchaser Parent, respectively. If Purchaser Parent or Seller Parent, as applicable, do not provide any comments to Seller Parent or Purchaser Parent, respectively, during such period, the statement as so prepared shall be final and binding.

(B) In the event the Final Pre-Closing Income Tax Amount with respect to any Income Tax Return is less than the amount of the Pre-Closing Income Tax Amount attributable to such Income Tax Return that was included on the Final Closing Statement, the Purchaser shall within five (5) Business Days following the finalization of the Final Pre-Closing Income Tax Amount hereunder (i) pay to Seller Parent the amount of such difference with respect to a Conveyed Subsidiary and their Subsidiaries and (ii) pay to Purchaser Parent the amount of such difference with respect to Purchaser and its Subsidiaries.

(vii) The Parties shall use reasonable best efforts to structure any indemnity payment, true-up payment, or payment in respect of Tax Benefits made by any Party pursuant to this Agreement (including pursuant to this Section 6.5, Section 6.6 and Article VII) and any payment made by Purchaser Parent to Purchaser pursuant to Section 2.8 or Section 2.9 in the manner set forth in Clause 10 of the Structuring Considerations Agreement. The Parties shall use reasonable best efforts to structure as a special dividend any payment made by Purchaser to Purchaser Parent pursuant to Section 2.8, Section 2.9 or this Section 6.5.

(e) Tax Contests.

(i) If a claim shall be made by any Taxing Authority (a "Tax Claim") which, if successful, would reasonably be expected to result in an indemnity payment pursuant to Section 6.5(d), the indemnified party shall promptly notify the indemnifying party in writing of such claim (and provide copies of any documents received from the Taxing Authority in respect of such claim); provided that the failure to provide such notice shall not relieve the indemnifying party of its indemnification obligations hereunder except to the extent the indemnifying party is prejudiced thereby and expenses are incurred during the period in which notice was not provided. Such notice shall specify in reasonable detail the basis for such Tax Claim and shall include a copy of the relevant portion of any correspondence received from the Taxing Authority.

(ii) With respect to any Tax Claim relating to a Conveyed Subsidiary (or any Subsidiary thereof) for any Tax period ending on or before the Closing Date, to Seller Parent (or any Subsidiary thereof) for any taxable period, or with respect to, a Seller Combined Tax Return, Seller Parent shall control all Tax Proceedings and

shall make all decisions taken in connection with such Tax Proceeding (including selection of counsel), and, without limiting the foregoing, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto, and may either pay the applicable Tax Liability and sue for a refund or contest the Tax Claim; provided, that in the case of such Tax Proceeding with respect to a Tax Return of a Conveyed Subsidiary (or any Subsidiary thereof) other than a Seller Combined Tax Return, Seller Parent shall not settle such Tax Proceeding if doing so would reasonably be expected to materially increase the Tax Liability of Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and any Subsidiary thereof after the Closing), taking into account any indemnification for Tax Liabilities under this Agreement, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned. In the case of any such Tax Proceeding with respect to a Conveyed Subsidiary (or a Subsidiary thereof), Seller Parent shall (x) notify Purchaser of any material development with respect to any such Tax Proceeding, (y) provide Purchaser with copies of any material documents submitted in connection with such Tax Proceeding and (z) notify Purchaser regarding any material action to be taken by Seller Parent with respect to such Tax Proceeding (and take Purchaser's comments into consideration in good faith), in each case, solely to the extent relating to matters or aspects of such Tax Proceeding that would reasonably be expected to materially increase the Tax Liability of a Conveyed Subsidiary (or a Subsidiary thereof) in a Post-Closing Tax Period.

(iii) In the case of any Tax Proceeding relating to Taxes of the Conveyed Subsidiaries (and their Subsidiaries) for any Straddle Period, the Controlling Party shall have the right and obligation to conduct such Tax Proceeding; provided that the Controlling Party shall (u) notify the Non-Controlling Party of any material development with respect to such Tax Proceeding, (v) provide the Non-Controlling Party with copies of any material documents submitted in connection with such Tax Proceeding, (w) consult with the Non-Controlling Party before submitting any written materials or taking any significant action in connection with the conduct of such Tax Proceeding, (x) provide, to the extent possible, for the Non-Controlling Party to participate in such Tax Proceeding at its own expense, (y) defend such Tax Proceeding diligently and in good faith, and (z) not settle any such Tax Proceeding if doing so would reasonably be expected to materially increase the Tax Liability of the Non-Controlling Party or its Affiliates (taking into account any indemnification for Tax Liabilities under this Agreement), without the prior written consent of the Non-Controlling Party, which consent shall not be unreasonably withheld, delayed or conditioned. For purposes of this Agreement, "Controlling Party" shall mean Seller Parent if Seller Parent and its Affiliates are reasonably expected to bear the greater Tax Liability in connection with such Tax Proceeding, or Purchaser if Purchaser and its Affiliates are reasonably expected to bear the greater Tax Liability in connection with such Tax Proceeding; and "Non-Controlling Party" means whichever of Seller Parent or Purchaser is not the Controlling Party with respect to such Tax Proceeding.

(iv) Except as otherwise provided herein, Purchaser shall control all Tax Proceedings with respect to the Conveyed Subsidiaries (and their Subsidiaries) for any taxable period beginning after the Closing Date and any Tax Proceeding with respect to Purchaser or any of its Affiliates relating to any Seller Indemnifiable Tax Return; provided that Seller Parent shall be deemed to be a Non-Controlling Party (with the rights described in Section 6.5(e)(iii)) with respect to any such Tax Proceeding if the resolution of any such Tax Proceeding would reasonably be expected to materially increase the Tax Liability of a Conveyed Subsidiary (or a Subsidiary thereof) in a Pre-Closing Tax Period or the amount of indemnification for which Seller Parent is responsible pursuant to Section 6.5(d)(i).

(v) Purchaser, the Conveyed Subsidiaries and each of their respective Affiliates, on the one hand, and Seller Parent and its Affiliates, on the other hand, shall cooperate in contesting any Tax Claim, which cooperation shall include the retention and, upon request, the provision to the requesting Party of records and information which are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at related Tax Proceedings. Purchaser Parent and Seller Parent and their applicable Affiliates shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 6.5(e)(v). Notwithstanding anything herein to the contrary, (A) Seller Parent shall not be required to provide Purchaser or its Affiliates with a copy, or otherwise disclose the contents, of any Seller Combined Tax Return (except to the extent such information relates solely to a Conveyed Subsidiary or its Subsidiaries), (B) Seller Parent shall have the exclusive right to control in all respects, and neither Purchaser nor any of its Affiliates shall be entitled to participate in, any Tax Proceeding with respect to any Tax Return of Seller Parent or any of its Affiliates or any Seller Combined Tax Return, and (C) Purchaser Parent shall not be required to provide Seller Parent, Purchaser or its Affiliates with a copy, or otherwise disclose the contents, of any Tax Return that includes Purchaser Parent or any of its Affiliates (other than Purchaser and any Subsidiary thereof), on the one hand, and Purchaser and any Subsidiary thereof (other than any Conveyed Subsidiary or Subsidiary thereof), on the other hand ("Purchaser Parent Combined Tax Returns") and Purchaser Parent shall have the exclusive right to control in all respects, and neither Seller Parent nor any of its Affiliates shall be entitled to participate in, any Tax Proceeding with respect to any Purchaser Parent Combined Tax Return.

(f) Internal Restructurings.

(i) Notwithstanding anything herein to the contrary, but subject to Section 2.2, Section 6.3 and Section 6.4, Seller Parent shall, at its sole cost and expense, effective from a date on or prior to the Closing Date, implement the transactions necessary to deliver on the Closing Date the Business and the Purchased Assets in a manner consistent with Section 6.5(f) of the Seller Disclosure Letter (such transactions, as finally described in the Seller Parent Final Plan (as defined below),

the "Seller Internal Restructurings"); provided that within seventy-five (75) days of the date hereof, Seller Parent shall deliver to Purchaser Parent for Purchaser Parent's review and reasonable comment an initial draft of a step plan (the "Seller Parent Preliminary Plan") setting forth the steps Seller Parent shall undertake to effect the Seller Internal Restructurings; provided, further, that Seller Parent shall (x) consider in good faith any reasonable amendments, modifications or supplements to the Seller Parent Preliminary Plan proposed by Purchaser Parent and Purchaser and (y) shall, to the extent consistent with the principles set forth in Section 6.5(f) of the Seller Disclosure Letter, incorporate the input of Purchaser Parent and Purchaser on the Seller Parent Preliminary Plan (including the timing, structure and other details of such transactions). Subject to the finalization of the Seller Parent Final Plan pursuant to Section 6.5(f)(iii), at least twenty (20) Business Days prior to the Closing, Seller Parent shall provide to Purchaser Parent a list of the U.S. federal tax classification elections for each of the Conveyed Subsidiaries and Subsidiaries thereof as of the Closing, which list shall be true, correct and complete in all material respects and consistent with the Seller Parent Final Plan.

(ii) Notwithstanding anything herein to the contrary, but subject to Section 2.2, Section 6.3 and Section 6.4, Purchaser Parent shall, at its sole cost and expense, effective from a date on or prior to the Closing Date and Section 6.3(e)), implement the transactions necessary to deliver on the Closing Date any assets of Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries and except for any assets and/or employees based in France or employed by any French Affiliate of Purchaser Parent) transferred to Purchaser or its Subsidiaries in connection with the transactions described herein in a manner consistent with Section 6.5(f) of the Purchaser Parent Disclosure Letter (such transactions, as finally described in the Purchaser Parent Final Plan (as defined below), the "Purchaser Internal Restructurings"); provided that within seventy-five (75) days of the date hereof, Purchaser Parent shall deliver to Seller Parent an initial draft of a step plan (the "Purchaser Parent Preliminary Plan ", and together with the Seller Parent Preliminary Plan, the "Preliminary Plans") setting forth steps Purchaser Parent shall undertake to effect the Purchaser Internal Restructurings for Seller Parent's review and reasonable comment; provided, further, that Purchaser Parent shall (x) consider in good faith any reasonable amendments, modifications or supplements to the Purchaser Parent Preliminary Plan proposed by Seller Parent and (y) Purchaser Parent shall, to the extent consistent with the principles set forth in Section 6.5(f) of the Purchaser Parent Disclosure Letter, incorporate the input of Seller Parent on the Purchaser Parent Preliminary Plan (including the timing, structure and other details of such transactions). Subject to the finalization of the Purchaser Parent Final Plan pursuant to Section 6.5(f)(iv), at least twenty (20) Business Days prior to the Closing, Purchaser Parent shall provide to Seller Parent a list of the U.S. federal tax classification elections for each of Purchaser and its Subsidiaries as of the Closing, which list shall be true, correct and complete in all material respects and consistent with the Purchaser Parent Final Plan.

(iii) Following the delivery of the Seller Parent Preliminary Plan, any amendments, modifications or supplements to the Seller Parent Preliminary Plan reasonably proposed by Seller Parent shall be considered in good faith by Purchaser Parent, and the Parties shall negotiate in good faith regarding any such proposed amendments, modifications or supplements to which Purchaser Parent objects. Purchaser Parent's approval shall be required before the Seller Parent Preliminary Plan becomes final (such approval not to be unreasonably, withheld, conditioned or delayed) (such plan, once finalized pursuant to this Section 6.5(f), the "Seller Parent Final Plan"). For the avoidance of doubt, if no amendments, modifications or supplements are reasonably proposed by Purchaser Parent following the delivery of the Seller Parent Preliminary Plan, the Seller Parent Preliminary Plan shall be the Seller Parent Final Plan.

(iv) Following the delivery of the Purchaser Parent Preliminary Plan, any amendments, modifications or supplements to the Purchaser Parent Preliminary Plan reasonably proposed by Purchaser Parent shall be considered in good faith by Seller Parent, and the Parties shall negotiate in good faith regarding any such proposed amendments, modifications or supplements to which Seller Parent objects. Seller Parent's approval shall be required before the Purchaser Parent Preliminary Plan becomes final (such approval not to be unreasonably, withheld, conditioned or delayed) (such plan, once finalized pursuant to this Section 6.5(f), the "Purchaser Parent Final Plan"). For the avoidance of doubt, if no amendments, modifications or supplements are reasonably proposed by Seller Parent following the delivery of the Purchaser Parent Preliminary Plan, the Purchaser Parent Preliminary Plan shall be the Purchaser Parent Final Plan.

(v) Seller Parent and Purchaser Parent each shall, when proposing amendments, modifications and supplements to the Preliminary Plans and when reviewing and considering such proposed amendments, modifications and supplements for their respective approval, act reasonably and in good faith consistent with the principles set forth in Section 6.5(f) of the Seller Disclosure Letter.

(g) Certain Tax Elections and Post-Closing Actions.

(i) Purchaser shall not, and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) not to, take any action on the Closing Date (after the Closing) other than in the ordinary course of business with respect to the Purchased Assets, the Assumed Liabilities, the Business or any Conveyed Subsidiaries or Subsidiaries thereof, except as expressly contemplated herein.

(ii) With respect to any Conveyed Subsidiary (or Subsidiary thereof), Purchaser shall not (A) make or cause or permit to be made an election under Section 338(g) of the Code (or any similar election permitted under state, local or foreign Law), (B) make or cause or permit to be made any election (including any election pursuant to Treasury Regulation Section 301.7701-3) that would be effective on or prior to the Closing Date or otherwise have retroactive effect with respect to a Pre-Closing Tax Period.

(iii)

(A) Prior to the Closing, an Affiliate(s) of Seller Parent shall transfer the equity interests in Wyeth Pharmaceutical Co. Ltd and Treerly Health Co. Ltd (the "China Entities ") to an Affiliate (or Affiliates) of Seller Parent in a direct equity transfer (the "Direct Transfers") that is intended to be fully taxable for Chinese Tax purposes. Seller Parent or an applicable Affiliate shall timely pay any Chinese Taxes attributable to any such Direct Transfer, based on a third-party valuation by an independent PRC licensed appraiser of Seller Parent's choosing, to the appropriate PRC Taxing Authority and file any applicable Tax Returns with the appropriate PRC Taxing Authority. The applicable Seller(s) shall, within five (5) business days in China after (i) the filing of any such Tax Returns, deliver to Purchaser complete copies of such Tax Returns and (ii) the tax receipts(s) are issued by the tax bureau(s), provide Purchaser with complete copies of such tax receipt(s). Any such Taxes shall be the sole responsibility of Seller Parent or the applicable Affiliate and subject to Section 6.5(d)(i).

(B)Following the Direct Transfers, Seller Parent shall effect, through Local Implementing Agreements, the indirect transfer of the China Entities to the Purchaser (the "Indirect Transfers"). Within thirty (30) days following the Indirect Transfers, Seller Parent or the applicable Affiliate shall voluntarily file (whether in one or more filings), on behalf of the applicable Seller(s) and Purchaser (or the applicable Purchaser Designated Affiliate), the documentation required by Circular – SAT Notice [2015] 7 ("Notice 7") as a result of the Indirect Transfers, and any related transfers, with the applicable PRC Taxing Authority. Seller Parent or the applicable Affiliate shall, within five (5) Business Days after the submission of such Notice 7 filing(s), deliver to Purchaser complete copies of any applicable Notice 7 filing(s) and, if provided, an acknowledgement of receipt of such Notice 7 filing(s) issued by the applicable PRC Taxing Authority. Seller Parent or the applicable Affiliate shall, in its sole discretion, control all communications relating to the Indirect Transfers and such Notice 7 filing(s) with the relevant PRC Taxing Authority and shall keep Purchaser reasonably informed of the progress of such communications (including by providing to Purchaser copies of all material reporting and filings relating to the Indirect Transfers and the Notice 7 filing(s)). If Seller Parent or the applicable Affiliate has fully complied with its obligations pursuant to this Section 6.5(g)(iii), then Purchaser (and its Affiliates) shall not communicate with or make any reporting to a PRC Taxing Authority regarding the Indirect Transfers or the Notice 7 filing(s), except in agreement with Seller Parent or the applicable Affiliate. Purchaser shall notify the applicable Seller(s) promptly, but in any event not later than five (5) Business Days after receipt, of any queries or requests by any PRC Taxing Authority related to the transfer of the China Entities to the Purchaser.

(C) If the Indirect Transfers are determined to be taxable transactions in China, Seller Parent or the applicable Affiliate shall timely pay any additional China Taxes attributable to the Indirect Transfers to the appropriate PRC Taxing Authority and file any applicable Tax Returns with the appropriate PRC Taxing Authority. Any such Taxes shall be the sole responsibility of Seller Parent or the applicable Affiliate and subject to Section 6.5(d)(i).

(D) Absent a change in Law after the date hereof and subject to compliance with Clauses (A) through (C) of this Section 6.5(g)(iii), Purchaser Parent acknowledges and agrees that, notwithstanding anything herein to the contrary, it shall not, and it shall cause its Affiliates not to, withhold any amount with respect to Chinese Taxes in respect of the payment of the Purchase Consideration or any amounts payable to Seller Parent pursuant to Section 2.8 or Section 2.9 herein (nor reflect any such amount in the Final Closing Statement or take any such amount into account in the calculation of the Final Business Working Capital or the Final Business Net Cash).

(h) Tax Sharing Agreements. All Tax sharing agreements and arrangements between (i) any Conveyed Subsidiary or Subsidiary thereof, on the one hand, and Seller Parent or any of its Affiliates (other than any Conveyed Subsidiary or Subsidiary thereof), on the other hand, and (ii) Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, shall be terminated effective at or before the Closing and shall have no further effect for any Tax period (whether past, present or future) and, after the Closing Date, neither Seller Parent nor any of its Affiliates, nor Purchaser nor any of its Affiliates, shall have any rights or obligations thereunder, and no additional payments shall be made thereunder with respect to any Tax period, whether in respect of a redetermination of Liabilities for Taxes or otherwise.

(i) Cooperation. Each of Purchaser and Seller Parent shall (and shall cause their respective Affiliates to) provide the other with such cooperation, information and records, and make such of its officers, directors, employees and agents available, as may reasonably be requested by the other Party in connection with the preparation or filing of any Tax Return, determining a liability for Taxes or payment under this Section 6.5, conducting any Tax Proceeding and the matters described in Section 6.5(f) of the Seller Disclosure Letter and Section 6.5(f) of the Purchaser Parent Disclosure Letter. Each of Purchaser and Seller Parent shall, within the earlier to occur of one hundred twenty (120) days after the Closing Date and forty-five (45) days prior to the due date for a Tax Return requiring such information (or as promptly as practicable to the extent any Tax Return is due within forty-five (45) days after the Closing Date), provide the other with Tax information materials, including schedules and work papers (including any information reasonably necessary to compile applicable transfer pricing documentation), prepared in a manner consistent with the Conveyed Subsidiaries' (and their Subsidiaries') past practices, as requested by one another to enable one another to prepare, or cause to be prepared, all Tax Returns that each Party is obligated to prepare, or cause to be prepared, pursuant to Section 6.5(a)(i) or Section 6.5(a)(ii), as applicable. Notwithstanding anything in this Agreement to the contrary, (i) Seller Parent shall not be required to provide Purchaser Parent or Purchaser, or any of their respective Affiliates, with a copy of, or

otherwise disclose the contents of, any Seller Combined Tax Return (provided that Seller Parent shall extract information therein and provide such information to Purchaser hereunder to the extent such information relates solely to a Conveyed Subsidiary or its Subsidiaries), and (ii) Purchaser Parent shall not be required to provide Seller Parent or any of its Affiliates with a copy of, or otherwise disclose the contents of, any Purchaser Parent Combined Tax Return. Each Party shall retain (and cause to be retained) all Tax Returns, schedules and work papers, and all material records and other documents relating to Tax matters, of the Conveyed Subsidiaries and their Subsidiaries for the Pre-Closing Tax Period until the expiration of the statute of limitations for the Tax periods to which the Tax Returns and other documents relate.

(j) Transfer Taxes. Notwithstanding anything to the contrary in this Agreement, Seller Parent shall be responsible for half of, and Purchaser Parent shall be responsible for half of, any Transfer Taxes imposed on the transfer of the Purchased Assets and Assumed Liabilities to Purchaser (or a Purchaser Designated Affiliate) and the costs of preparing and filing Tax Returns in respect of any such Transfer Taxes. The Party responsible under applicable Law for filing Tax Returns with respect to Transfer Taxes shall prepare and timely file such Tax Returns. Seller Parent and Purchaser Parent shall, and shall cause their respective Affiliates to, reasonably cooperate to timely prepare and file any Tax Returns or other filings relating to such Transfer Taxes and to minimize any such Transfer Taxes. For clarity, this Section 6.5(j) does not apply to any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes and Purchaser Parent shall be solely responsible for any Transfer Taxes imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such Transfer Taxes.

(k) VAT.

(i) Subject to Section 6.5(k)(ii), all payments made pursuant to this Agreement are exclusive of VAT. Any VAT imposed on the transfers of the Purchased Assets and Assumed Liabilities to Purchaser (or any of the Purchaser Designated Affiliates) shall be charged to Purchaser (or the relevant Purchaser Designated Affiliate) in addition to the Purchase Consideration. Purchaser (or the relevant Purchaser Designated Affiliate) shall pay any such VAT upon receipt of the relevant VAT invoices, if such invoice is required under applicable Law. Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, exercise commercially reasonable efforts to satisfy all compliance obligations necessary in order to treat any such transfer as a transfer of a going concern for VAT purposes where permissible under applicable Law. Where Seller Parent has treated, or caused its Affiliates to treat, a transaction under this Agreement as a transfer of a going concern or otherwise exempt from or outside the scope of VAT and it receives notice that a Taxing Authority disagrees with that treatment, it shall promptly notify Purchaser and reasonably cooperate with Purchaser to contest such disagreement upon Purchaser's request, provided that Purchaser shall indemnify Seller Parent in respect of any costs,

expenses, fees or Taxes incurred in connection with such contest. Seller Parent shall issue (or shall cause to be issued) any invoice necessary and reasonably cooperate with Purchaser and its Affiliates to provide information and documentation necessary for Purchaser and its Affiliates to comply with its VAT obligations under applicable Law. For clarity, this Section 6.5(k)(i) does not apply to any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings or the Purchaser Internal Restructurings. Seller Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Seller Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT and Purchaser Parent shall be solely responsible for any VAT imposed on any transaction or step forming part of the Purchaser Internal Restructurings and the costs of preparing and filing any Tax Returns in respect of any such VAT.

(ii) The Purchaser Parent Termination Fee is inclusive of any amounts in respect of VAT thereon but subject to the calculations set out in this Section 6.5(k) (ii). The Parties intend, and shall use reasonable efforts to secure, that the Purchaser Parent Termination Fee, being compensatory in nature, is not and will not be treated for VAT purposes as consideration for a taxable supply. If a Taxing Authority determines that the Purchaser Parent Termination Fee is, in whole or in part, consideration for a Tax supply for VAT purposes, then:

(A) if Purchaser Parent (or any other member of the VAT group to which it belongs) is liable to account for any VAT on the Purchaser Parent Termination Fee under a VAT reverse charge mechanism, the amount of the Purchaser Parent Termination Fee shall be reduced so that the sum of (x) the Purchaser Parent Termination Fee (as so reduced), and (y) any VAT reverse charge thereon which Purchaser Parent (or any other member of the VAT group to which it belongs) is not entitled to recover (by way of credit or repayment) as input tax, is equal to the unreduced amount of the Purchaser Parent Termination Fee. In that scenario, Purchaser Parent shall be responsible for complying with all obligations relating to that reverse charge imposed by the Laws of the jurisdiction in which the VAT is accountable under the reverse charge mechanism; and

(B) if Seller Parent is liable to account for any VAT on the Purchaser Parent Termination Fee, then to the extent that such VAT is recoverable (by way of credit or repayment) as input tax by Purchaser Parent (or any other member of the VAT group to which it belongs), the amount of the Purchaser Parent Termination Fee shall be increased such that, less any such recoverable VAT in respect thereof, it equals the amount of the Purchaser Parent Termination Fee before taking into account any adjustment under this Section 6.5(k)(ii)(B).

(l) Coordination. Notwithstanding anything herein to the contrary, (i) the indemnification obligations set forth in Section 6.5(d) shall survive until thirty (30) days following the expiration of the applicable statutes of limitations in respect of the relevant Taxes, (ii) the representations and warranties contained in Section 4.16(k) and Section 5.17(k) shall survive until

thirty (30) days following the expiration of the applicable statute of limitations in respect of the relevant Taxes, and (iii) any and all indemnification in respect of Tax matters and the procedures relating thereto shall be governed exclusively by this Section 6.5 and, to the extent specified therein, Section 7.4, Section 7.6, Section 7.7, Section 7.8, Section 7.9, Section 7.10 and Section 7.11, and shall not be governed by the provisions of Article VII (other than, to the extent specified in Section 7.4, Section 7.6, Section 7.7, Section 7.8, Section 7.9, Section 7.10 and Section 7.11).

Section 6.6 Employees and Employee Benefits.

(a) Division of Liabilities Generally.

(i) Purchaser Assumed Employee Liabilities. Purchaser and its Subsidiaries (including, after the Closing, the Conveyed Subsidiaries and the Subsidiaries thereof) shall, effective as of the Closing, assume or retain all Liabilities in respect of (A) the Conveyed Subsidiary Plans (including Liabilities thereunder that relate to an employee or former employee who is not a Business Employee or Former Business Employee), (A) except as otherwise expressly provided in this Section 6.6, the service of the Business Employees and Former Business Employees to the Business or Purchaser Business prior to, on or following the Closing Date, including all Liabilities for compensation (including commissions, bonuses, incentive pay, overtime, premium pay, shift differentials and severance or termination pay) that become payable on or after the Closing, (A) except as otherwise expressly provided in this Section 6.6, compensation and benefits required to be provided by, or transferring to Purchaser pursuant to, applicable Law with respect to a Business Employee or Former Business Employee, (A) the other Liabilities specified in this Section 6.6 as being assumed, retained or reimbursable by Purchaser or its Subsidiaries, (A) except as otherwise expressly provided in this Section 6.6, all costs and expenses arising from the obligations of Purchaser or its Subsidiaries under this Section 6.6, and the implementation by Purchaser of the compensation and benefit plans as contemplated hereunder, and (A) any Liabilities arising out of the failure of Purchaser or its Subsidiaries to comply with its obligations under this Section 6.6, including the failure to extend offers pursuant to Section 6.6(b)(i) or engage in any consultations required or contemplated by Section 6.6(b)(i) or Section 6.6(j) (the Liabilities assumed by Purchaser and its Subsidiaries pursuant to this Section 6.6, collectively, the "Purchaser Assumed Employee Liabilities"). For the avoidance of doubt, except as contemplated by clause (A) of this Section 6.6(a)(i), the term Purchaser Assumed Employee Liabilities shall not include Liabilities with respect to current or former employees of Seller Parent or its Affiliates who are not Business Employees or Former Business Employees. For purposes of this Section 6.6, Liabilities in respect of all compensation and benefits items shall include the employer side Taxes or other payments related thereto.

(ii) Seller Parent Retained Employee Liabilities. Seller Parent, or its applicable Affiliate (other than a Conveyed Subsidiary or Subsidiary thereof), shall, effective as of the Closing, retain or assume (A) all assets and Liabilities under or relating to each Seller Group Plan and each Foreign Seller Group Plan, and each other benefit or compensation plan, program, policy, agreement or arrangement at any time sponsored or maintained by Seller or any of its ERISA Affiliates (including non-U.S. Affiliates) that is not a Conveyed Subsidiary Plan, other than those Liabilities under any Seller Group Plan or Foreign Seller Group Plan expressly assumed by Purchaser and its Affiliates under this Section 6.6; (B) all Liabilities with respect to current or former employees of Seller Parent or its Affiliates who are not Business Employees or Former Business Employees; (C) all Liabilities with respect to the service prior to the Closing Date of the Business Employees and Former Business Employees to Seller Parent or its Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) to the extent such service was not related to the Business, and (D) all other Liabilities specified in this Section 6.6 as being retained or assumed by Seller Parent or its applicable Affiliates pursuant to this Section 6.6, which Liabilities shall be Retained Liabilities. Notwithstanding clause (A) of the immediately preceding sentence, this Section 6.6(a)(ii) shall not prevent Seller Parent or its Affiliates from allocating chargebacks to Purchaser or its Subsidiaries with respect to compensation and benefits costs that constitute current Liabilities for purposes of GAAP or IFRS (and excluding all other costs or Liabilities, such as pension underfunding or prior years' accruals under qualified or non-qualified retirement or deferred compensation plans) in the ordinary course of business consistent with past practice related to Business Employees' service for periods prior to the Closing; provided, however, that any such chargebacks shall be reflected as a Liability in Business Working Capital. Subject to the immediately preceding sentence, no Retained Liability shall be reflected as a Liability in Business Working Capital. Other than as expressly contemplated by this Section 6.6, in no event may Seller Parent or its Affiliates transfer a Seller Group Plan or Foreign Seller Group Plan (or any related Liabilities) that is not maintained by a Conveyed Subsidiary or a Subsidiary thereof as of the date of this Agreement to a Conveyed Subsidiary or a Subsidiary thereof.

(iii) Purchaser Parent Retained Employee Liabilities. Purchaser Parent and its Affiliates (other than Purchaser and its Subsidiaries), shall, effective as of the Closing, retain or assume (A) all assets and Liabilities under or relating to each Purchaser Group Plan and each Foreign Purchaser Group Plan, and each other benefit or compensation plan, program, policy, agreement or arrangement at any time sponsored or maintained by Purchaser Parent or any of its ERISA Affiliates (including non-U.S. Affiliates) that is not a Purchaser Business Plan; (B) all Liabilities with respect to current or former employees of Purchaser Parent or its Affiliates who are not Purchaser Business Employees or Former Purchaser Business Employees; (C) all Liabilities with respect to the service prior to the Closing Date of the Purchaser Business Employees and Former Purchaser Business Employees to Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) to the extent such service was not related to the Purchaser Business; and (D) all other Liabilities specified in this Section 6.6 as being retained or assumed by Purchaser Parent or its applicable Affiliates pursuant to this Section 6.6, which Liabilities shall

be Purchaser Parent Retained Liabilities. Notwithstanding clause (A) of the immediately preceding sentence, this Section 6.6(a)(iii) shall not prevent Purchaser Parent or its Affiliates from allocating chargebacks to Purchaser or its Subsidiaries with respect to compensation and benefits costs that constitute current Liabilities for purposes of GAAP or IFRS (and excluding all other costs or Liabilities, such as pension underfunding or prior years' accruals under qualified or non-qualified retirement or deferred compensation plans) in the ordinary course of business consistent with past practice related to Purchaser Business Employees and, with respect to periods following the Closing, Transferred Employees; provided, however, that any chargebacks in respect of the service of Purchaser Business Employees for periods prior to the Closing shall be reflected as a Liability in Purchaser Working Capital. Subject to the immediately preceding sentence, no Purchaser Parent Retained Liability shall be reflected as a Liability in Purchaser Working Capital. In no event may Purchaser Parent or its Affiliates transfer a Purchaser Group Plan or Foreign Purchaser Group Plan (or any related Liabilities) that is not maintained by Purchaser or a Subsidiary thereof as of the date of this Agreement to Purchaser or a Subsidiary thereof.

(b) Transfer of Employees.

(i) Business Employees Generally. At least ninety (90) days prior to the Closing Date, Seller Parent shall provide Purchaser with a list of all Business Employees as of such time, including each such Business Employee's name, job title, date of hire, annual salary or hourly rate (as applicable) and incentive opportunity to which each such Business Employee is entitled, provided that such information may be redacted to the extent Seller Parent is required to comply with data privacy and other applicable Laws (the "Transferring Employee List"). At least fifteen (15) Business Days prior to the Closing Date (or earlier, if required by applicable Law), Purchaser agrees to offer or cause to be offered continued employment as of the Closing Date to each Business Employee detailed on the Transferring Employee List who is not employed at a Conveyed Subsidiary or a Subsidiary thereof or who is not a TUL Employee, in the same or a Comparable Position (as defined herein) and with compensation and benefits on terms that are consistent with this Section 6.6 and Seller Parent and its Affiliates will facilitate in finalizing and distributing such offers. In addition, effective as of the Closing, Purchaser agrees to cause the Conveyed Subsidiaries and their Subsidiaries to continue the employment of each Business Employee employed by such entities as of the Closing Date in the same or a Comparable Position and with compensation and benefits on terms that are consistent with this Section 6.6. A "Comparable Position" is a position with Purchaser or its Subsidiaries (including, after the Closing, a Conveyed Subsidiary or Subsidiary thereof) in which (A) the Business Employee's level of responsibilities is not significantly reduced, and (B) the Business Employee is not required to relocate more than fifty (50) miles from the Business Employee's principal business location immediately prior to the Closing.

(ii) TUL Employees. Except as agreed between the Parties, with respect to each Business Employee who is not employed by a Conveyed Subsidiary or Subsidiary thereof and is employed in a jurisdiction in which the Transfer of Undertakings Laws have been implemented or apply (a "TUL Employee"), Seller Parent and Purchaser acknowledge that the transactions contemplated by this Agreement are likely to give rise to a relevant transfer (or otherwise sustain the automatic transfer of employees) for purposes of the Transfer of Undertakings Laws and to apply the Transfer of Undertakings Laws insofar as they apply by Law, and accept and agree that in such event the terms and conditions of employment of each such TUL Employee shall transfer effective as of the Closing and in a manner contemplated by the Transfer of Undertakings Laws or other applicable Law. Seller Parent and Purchaser shall inform and consult with the TUL Employees or any appropriate representatives of the TUL Employees to the extent required by the Transfer of Undertakings Laws or other applicable Law. In the event that a TUL Employee objects to the transfer of employment and cannot be transferred to Purchaser or its Subsidiaries, all Liabilities associated with the continued employment of such TUL Employee by Seller Parent or its Affiliates for up to a maximum of two (2) calendar months (or any longer period required by applicable Law or the notice period under any Foreign Seller Group Plan) following Closing, and the termination of employment of such TUL Employee by Seller Parent or its Affiliates shall be considered Purchaser Assumed Employee Liabilities. For the avoidance of doubt, if the Transfer of Undertakings Laws are determined not to apply to a TUL Employee, Purchaser agrees to offer or cause to be offered continued employment as of the Closing Date to such TUL Employee in accordance with Section 6.6(b)(i).

(iii) Delayed Transfer Employees. Notwithstanding the foregoing, in the case of any Business Employee whose employment does not and cannot commence or be transferred at the Closing by applicable Laws or Purchaser and Seller Parent mutually determine cannot commence or be transferred at the Closing or whose commencement or transfer of employment is otherwise delayed (a "Delayed Transfer Employee"), Seller Parent and Purchaser shall cooperate in good faith to cause the employment of such Delayed Transfer Employee to remain with Seller Parent or a Retained Subsidiary to allow such Delayed Transfer Employee to continue to participate on the compensation and benefit platforms, plans and programs of Seller Parent or such Retained Subsidiary. The Parties agree that each Delayed Transfer Employee shall commence employment with Purchaser, a Conveyed Subsidiary or another Subsidiary of Purchaser, as appropriate, as soon as reasonably practicable following the Closing as permitted by applicable Laws in such a manner that to the maximum extent possible does not trigger the right of such Business Employee to separation pay and is otherwise consistent with the terms and conditions of this Section 6.6 and applicable Law. Notwithstanding the foregoing, Seller Parent shall have no obligation to transfer the employment of a Delayed Transfer Employee out of a Conveyed Subsidiary if the delayed transfer of employment is due to a delay in the transfer of the Conveyed Subsidiary to Purchaser. In respect of the Delayed

Transfer Employees, each reference in Section 6.6(a)(iii) (other than in this Section 6.6(b)(iii) and Section 6.6(b)(iv)) through Section 6.6(j) to "Closing" and "Closing Date" shall be treated as a reference to the first date on which the applicable Delayed Transfer Employee's employment commences with or transfers to Purchaser. Notwithstanding the delayed transfer of such Delayed Transfer Employees, from and for a period of two (2) years after the Closing or, if earlier, the date of the applicable Delayed Transfer Employee's termination of employment ("Delayed Employment Period"), the (A) compensation paid to such Delayed Transfer Employees in respect of the Delayed Employment Period and (B) the fringe benefit rate for such Delayed Transferred Employees' benefits under a Seller Group Plan or Foreign Seller Group Plan that Seller Parent charges in the ordinary course of business consistent with past practice in respect of the Delayed Employment Period shall, in the case of (A) and (B), be considered Purchaser Assumed Employee Liabilities; provided that, during such period, Purchaser and its Subsidiaries receive the economic benefit of such Delayed Transferred Employee's services.

(iv) Disability Employees. Without limiting the generality of Section 6.6(b)(iii), and except as prohibited by applicable Law or provided in the immediately following sentence, each Business Employee who is on a leave of absence as of the Closing due to short- or long-term disability (a "Disability Employee") and is eligible for, or in an elimination period to be eligible for, long-term disability insurance coverage under a Seller Group Plan or Foreign Seller Group Plan (a "Seller LTD Plan") that is not a Conveyed Subsidiary Plan shall be a Delayed Transfer Employee until he or she returns to active employment; provided, that such return to active employment occurs within six (6) months following the Closing (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan). If it is administratively impractical to delay the transfer of a Disability Employee because Seller Parent and its Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries) do not have an employing entity in the applicable jurisdiction following the Closing or because such Disability Employee is, prior to the Closing and prior his or her disability, already an employee of a Conveyed Subsidiary, such Disability Employee shall be treated in the same manner as all other Business Employees, except he or she shall remain eligible for coverage under the Seller LTD Plan until the elimination period in effect as of the Closing elapses, and neither Purchaser nor its Affiliates shall have any Liability to provide long-term disability benefits or otherwise with respect to the Seller LTD Plan. If such Disability Employee who is not a Delayed Transferred Employee in accordance with the first sentence hereof satisfies the requirements for coverage under the Seller LTD Plan at the end of such elimination period, the employment of such Disability Employee with Purchaser and its Affiliates shall terminate, and such Disability Employee shall be entitled to benefits under the Seller LTD Plan, and neither Purchaser nor its Affiliates shall have any Liability to provide long-term disability benefits or otherwise with respect to the Seller LTD Plan. Any Disability Employee who is a Delayed Transferred Employee in accordance with the first sentence hereof and who does not return to active employment within six

(6)months following the Closing (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan) shall not be a Transferred Employee under this Agreement and, upon the conclusion of such six (6)-month period (or such longer period as may be required by applicable Law or the notice period under any Seller Group Plan or Foreign Seller Group Plan), shall no longer be considered a Business Employee under this Agreement.

(v) Definitions. For purposes of this Agreement, (A) any Business Employee (U.S.) whose employment transfers pursuant to this Section 6.6(a)(iii) shall be referred to as a "Transferred Employee (U.S.)" and (B) any Business Employee (non-U.S.) whose employment transfers pursuant to this Section 6.6(a)(iii) shall be referred to as a "Transferred Employee (non-U.S.)" (collectively, the "Transferred Employees").

(c) Compensation and Employee Benefits.

(i) Continued Employee Benefits. For a period from the Closing Date until December 31, 2020 (or such longer period as required by applicable Law) (the "Continuation Period"), Purchaser shall, or shall cause its Affiliates to, provide to each Transferred Employee whose terms and conditions of employment are not subject to an applicable Collective Bargaining Agreement (A) a Comparable Position, (B) base salary or wage rates that, in each case, are no less favorable than those in effect for each such Transferred Employee immediately prior to the Closing, (C) cash-based incentive opportunities (which shall include, collectively, commission, cash bonus and cash incentive pay opportunities), equity incentive opportunities and nonqualified deferred compensation benefits that, in each case, are no less favorable than those provided to similarly situated Purchaser Business Employees, (D) employee benefits (excluding equity incentive opportunities and non-qualified deferred compensation) that, in the aggregate, are substantially comparable to those in effect for each such Transferred Employee immediately prior to the Closing and (E) severance benefits that are no less favorable than the severance benefits that would have been payable to each such Transferred Employee under the Seller Group Plans or Foreign Seller Group Plans set forth in Section 6.6(c) of the Seller Disclosure Letter in which such Transferred Employee participated or was eligible for benefits immediately prior to the Closing, taking into account such Transferred Employee's additional period of service and increases (but not decreases) in compensation following the Closing. In addition, notwithstanding anything to the contrary in this Agreement, Purchaser or its Subsidiaries shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, maintain terms and conditions of employment for Transferred Employees to the extent necessary to (x) effect the automatic transfer of such employees under applicable Laws (including the Transfer of Undertakings Laws), Collective Bargaining Agreements or employment agreements, (y) comply with applicable Laws and (z) prevent severance from becoming payable to any such employee under applicable Law as a result of the transactions contemplated by this Agreement.

(ii) Severance or Other Termination Liabilities. Purchaser and its Subsidiaries shall be solely responsible for any severance, redundancy, long service, notice or garden leave pay, or similar payments, contributions or benefits (collectively, "Termination Expenses") that may become payable to any Business Employee arising out of or in connection with the transactions contemplated by this Agreement (whether or not such Business Employee becomes a Transferred Employee), including any Termination Expenses that are required to be paid by applicable Law, that may become payable to any Business Employee who does not become an employee of Purchaser or its Subsidiaries because Purchaser or its Subsidiaries fail to take all actions required by applicable Law to effectuate such Business Employee's transfer, because such Business Employee rejects an offer of employment made in compliance with this Section 6.6, refuses to transfer employment, or otherwise challenges such transfer of employment; provided, however, that Seller Parent and its Affiliates shall retain any Termination Expenses that may become payable in connection with the Seller Internal Restructurings (collectively, the "Seller Retained Severance Liabilities"), which shall be Retained Liabilities for all purposes hereunder. If Purchaser or any of its Subsidiaries becomes liable for, or is legally required to make, severance, redundancy, long service, notice or garden leave pay, or similar payments, contributions or benefits to or on behalf of any Business Employee as a result of the transactions contemplated by this Agreement (whether or not such Business Employee becomes a Transferred Employee), all such payments and any related costs and expenses paid or incurred by Purchaser or its applicable Subsidiary, other than any Seller Retained Severance Liabilities, shall be Purchaser Assumed Employee Liabilities. Seller Parent and its Affiliates shall consult with Purchaser prior to paying or committing to pay severance to a Business Employee who rejects an offer of employment made in compliance with this Section 6.6, refuses to transfer employment, or otherwise challenges such transfer of employment.

(iii) Service Credit. For purposes of vesting, eligibility to participate and level of benefits (and for all other purposes to the extent required by applicable Law) under the employee benefit plans of Purchaser and its Affiliates providing benefits to any Transferred Employees after the Closing, each Transferred Employee shall be credited with his or her years of service with Seller Parent and its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) and their respective predecessors to the same extent and for the same purpose as such Transferred Employee was credited, before the Closing, under any similar Seller Group Plan or Foreign Seller Group Plan in which such Transferred Employee participated or was eligible to participate immediately prior to the Closing, provided that the foregoing shall not apply (A) to the extent that its application would result in a duplication of benefits (including accrual of severance or termination related entitlements where these have been paid out as a result of the transactions contemplated by this Agreement) or (B) for purposes of level of benefits under any defined benefit pension plan (other than under Purchaser Pension Plans with respect to the transfer of Liabilities from Seller Pension Plans as described in Section 6.6(e), or as required by applicable Law).

(iv) Welfare Benefit Plan Obligations. Commencing as of 12:01 a.m. (local time wherever applicable) on the Closing Date, Purchaser shall, or shall cause its applicable Affiliates to, provide the Transferred Employees with welfare benefits under plans and arrangements maintained or sponsored by Purchaser and its Affiliates that satisfy the standards set forth in Section 6.6(c)(i). Purchaser shall, or shall cause its applicable Affiliates to, waive any waiting periods under their welfare benefit plans (including medical, dental, life insurance and short-term and long-term disability plans) and, with respect to any group health plans, shall waive any limitations for preexisting conditions, and, if applicable, shall ensure that such employees are given credit for any amounts paid toward deductibles, out-of-pocket limits or other fees on or prior to the Closing Date. Other than with respect to claims incurred under a Conveyed Subsidiary Plan, claims by a Transferred Employee for welfare benefit plan benefits or services rendered (A) as of or following 12:01 a.m. (local time wherever applicable) on the Closing Date shall be the responsibility of Purchaser and its Subsidiaries, and (B) prior to the Closing Date shall be the responsibility of Seller Parent and its Affiliates (other than a Conveyed Subsidiary or any Subsidiary thereof). Seller Parent and its Affiliates (other than a Conveyed Subsidiary or any Subsidiary thereof) will retain any obligations under Section 4980B of the Code or similar state Law ("COBRA") with respect to Business Employees, Former Business Employees and any other qualified beneficiaries who are enrolled in COBRA continuation coverage under a Seller Group Plan that is not a Conveyed Subsidiary Plan as of the Closing or with respect to whom a COBRA qualifying event occurred prior to the Closing. This Section 6.6(c)(ii) does not apply to any Liabilities under a Conveyed Subsidiary Plan, regardless of whether the event giving rise to the cost occurred before, on or after the Closing Date, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A).

(v) Cash Incentive Compensation. Following the Closing, Purchaser shall, or shall cause its applicable Subsidiaries to pay awards under Seller Parent cash-based annual incentive plan (the "Seller Cash Incentive Plan") in which Transferred Employees participate for the performance period in which the Closing occurs, prorated for the period elapsed as of immediately prior to the Closing Date, or with respect to any Delayed Transfer Employee, the date on which such Delayed Transferred Employee transfers employment (based upon actual performance as determined in good faith in the ordinary course of business consistent with past practice by Seller Parent or its applicable Affiliate), to each Transferred Employee who is eligible to receive such an award pursuant to the terms of the Seller Cash Incentive Plan, which awards shall be paid at such time and to the extent that the Transferred Employees would have otherwise become entitled to such bonuses under the Seller Cash Incentive Plan (such prorated bonus, the "Seller Closing Bonus");

provided, however, if Purchaser's or its applicable Subsidiary's payment of the Seller Closing Bonus is prohibited under applicable Law, Purchaser and Seller Parent will agree to an alternative arrangement with respect to any such Seller Closing Bonus acting in good faith (which alternative arrangement shall preserve the division of Liabilities between Seller Parent and its Affiliates, on the one hand, and Purchaser and its Affiliates, on the other hand, generally contemplated by this Section 6.6(c)(v)). The aggregate amount of the Seller Closing Bonuses and any related employer-side Taxes (but less the amount of the Tax deduction that Seller Parent or its Affiliates would have realized had they paid the Seller Closing Bonuses) shall be reflected as a Liability in Business Working Capital. Without limiting the generality of Section 6.6(c)(i), effective as of the Closing, Purchaser shall cause the Transferred Employees to participate in the cash-based incentive plans of Purchaser and its Affiliates for the remainder of the performance period in which the Closing occurs, which plans shall provide (A) incentive compensation opportunities that are no less favorable than those provided to such Transferred Employees immediately prior to the Closing (provided that such opportunities may be prorated for the period from and including the Closing Date until the end of the applicable performance period and may be based on reasonable performance criteria established by Purchaser in the ordinary course of business) and (B) for payment of awards for the performance period in which the Closing occurs at the time prescribed by the Seller Cash Incentive Plan as in effect immediately prior to the Closing and in accordance with the historical past practices of Seller and its Affiliates, it being understood that this clause (B) shall not require Purchaser to pay such awards automatically upon the Closing.

(vi) Equity Incentive Compensation. Upon the Closing, each incentive award in respect of the common stock of Seller Parent (a "Seller Parent Equity Award") held by a Transferred Employee shall become vested or eligible to vest (subject to the satisfaction of any applicable performance goals) in a prorated amount, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Effective as of the Closing, Purchaser or its Affiliates shall grant to each Transferred Employee an equity- or cash-based incentive award (a "Make-Whole Award") with a grant date fair value that is no less favorable than the value of the portion of the Seller Parent Equity Awards forfeited by the Transferred Employee in connection with the Closing (which forfeited amount shall be disclosed to Purchaser Parent no later than five (5) Business Days prior to the Closing), which Make-Whole Award shall have terms and conditions that are no less favorable than the terms and conditions (including vesting schedule and accelerated vesting terms) that were applicable to the corresponding Seller Parent Equity Award. In the event that the post-Closing transfer of a Delayed Transfer Employee results in a larger portion of the Seller Parent Equity Awards held by such Delayed Transfer Employee becoming vested upon such Delayed Transfer Employee's transfer of employment than if the employment of such Delayed Transfer Employee had transferred upon the Closing, then the incremental cost of such additional vesting (which cost shall be measured based on the taxable income the Delayed Transfer Employee either realized or would have realized had such awards been settled or exercised upon such Delayed Transfer Employee's transfer of employment to Purchaser or its Subsidiaries) shall be considered Purchaser Assumed Employee Liabilities.

(vii) Accrued Time Off Entitlements. Subject to applicable Law and any required consents, from and after the Closing, with respect to each Business Employee, either (A) Purchaser shall, or shall cause its Affiliates to, assume and honor all accrued but unused vacation and other paid time off of Business Employees or (B) if Seller Parent or any of its Affiliates is required under applicable Law to make a payment in settlement of accrued vacation or paid time off of any Business Employee, such payments shall be considered Purchaser Assumed Employee Liabilities and such accruals under (A) shall not be assumed and/or honored by Purchaser or its Affiliates. Under no circumstance shall Purchaser or its Affiliates be responsible for satisfying both (A) and (B) with respect to the same Business Employee.

(d) Seller Benefit Plans. Except as otherwise provided in this Section 6.6, from and after the Closing, the Transferred Employees shall cease to be active participants in the Seller Group Plans and Foreign Seller Group Plans that are not Conveyed Subsidiary Plans.

(e) Foreign Defined Benefit Pension or Termination Benefit Plans.

(i) Effective as of the Closing, Purchaser shall establish or designate non-U.S. defined benefit pension or pension-like termination benefit plans or arrangements, as applicable (collectively, the "Purchaser Pension Plans"), for the benefit of the Transferred Employees (non-U.S.) who participate in the Foreign Seller Group Plans and other non-U.S. arrangements that provide for similar benefits, whether under a plan or pursuant to applicable Law or local practice set forth on Section 6.6(e) of the Seller Disclosure Letter (collectively, the "Seller Pension Plans," and the Transferred Employees (non-U.S.) who participate in or accrue benefits pursuant to the Seller Pension Plans, the "Transferred Pension Plan Employees"). Each Purchaser Pension Plan shall provide, upon the transfer of assets referred to below (or, if there is no transfer of assets with respect to a particular plan because the plan is not funded, as of the Closing), that the accrued benefits for the Transferred Pension Plan Employees under such Purchaser Pension Plan shall in no event be less than their accrued benefits under the corresponding Seller Pension Plan as of the Closing. With respect to any Seller Pension Plan that is funded, Seller Parent shall cause to be transferred from the trusts or other funding vehicles under such Seller Pension Plan to the trusts or other funding vehicles under the corresponding Purchaser Pension Plan assets in the form of cash, cash equivalents, marketable securities or insurance contracts (to the extent allowable under the terms of such contracts and exclusively intended to cover plan benefits), the value of which shall be equal to: (x) the actuarial present value of accumulated benefits (that is, the "accumulated benefit obligation" as defined in Topic 715 in the FASB's Accounting Standards Codification, the "ABO") under such Seller Pension Plan as of the Closing that are attributable to the Transferred Pension Plan Employees, divided by the ABO

of all participants in such Seller Pension Plan as of the Closing, *multiplied by* the market value of the assets of such Seller Pension Plan at the Closing, provided that such transferred amount shall not, in any event, exceed the ABO under such Seller Pension Plan of all Transferred Pension Plan Employees as of the Closing Date or (y) such greater amount as is required by applicable Law.

(ii) The amounts determined in accordance with Section 6.6(e)(i) are collectively referred to as the "Pension Transfer Amounts." The transfer of the Pension Transfer Amounts, and the assumption by Purchaser and its Subsidiaries of Liabilities with respect to or relating to the Transferred Pension Plan Employees under the applicable Seller Pension Plans, shall be subject to such consents, Approvals and other requirements as may apply under applicable Law. Purchaser shall use commercially reasonable efforts to cause the corresponding Purchaser Pension Plans to accept the Pension Transfer Amounts. Actuarial determinations shall be made in accordance with Section 6.6(e)(vi). If a Seller Pension Plan is not required to be funded by applicable Law, and is not funded, there shall be no transfer of assets by the Seller Pension Plan or by Seller Parent or its Affiliates.

(iii) As of the Closing, Seller Parent shall cause the Transferred Employees to cease further accrual of benefits under the Seller Pension Plans.

(iv) The Pension Transfer Amount, if any, from each Seller Pension Plan shall be equitably adjusted to take into account benefit payments made from the Seller Pension Plan to the Transferred Pension Plan Employees after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The Pension Transfer Amount, if any, shall be determined pursuant to Section 6.6(e)(vi).

(v) At the times of the transfers of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law and is not funded, from and after the Closing), Purchaser and the Purchaser Pension Plans shall assume all Liabilities for all accrued benefits, including all disability, part-time, early retirement and other ancillary benefits, under the corresponding Seller Pension Plans in respect of the Transferred Pension Plan Employees whose benefits are so transferred, and Seller Parent and its Affiliates and the corresponding Seller Pension Plans shall be relieved of all Liabilities to provide benefits under the Seller Pension Plans to the Transferred Pension Plan Employees whose benefits are so transferred. From and after the date of such applicable transfer of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law and is not funded, from and after the Closing), Purchaser agrees to indemnify and hold harmless Seller Parent and its Affiliates and its officers, directors, employees, and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the Transferred Pension Plan Employees' benefits under the Seller Pension Plans that are transferred to Purchaser or Purchaser Pension Plans pursuant to this Section 6.6(e).

(vi) For purposes of this Section 6.6(e), actuarial determinations shall be based upon the actuarial assumptions and methodologies used in preparing the most recent audited financial statements of Seller Parent as of the date of the determination. The applicable plan sponsor of the Seller Pension Plans shall cause the plan actuary or administrator to provide a report of its determination of such amount within ninety (90) days following the Closing Date and any back-up information reasonably required by Purchaser to confirm the accuracy of such determination. If Purchaser disputes the accuracy of the calculation, Purchaser and Seller Parent shall cooperate to identify the basis for such disagreement and act in good faith to resolve such dispute. To the extent that a dispute is unresolved after a forty-five (45)-day period following identification of such dispute, the calculations shall be verified by an independent third-party benefits consulting firm selected by the mutual agreement of Seller Parent and Purchaser. The decision of such consulting firm shall be final, binding and conclusive on Seller Parent and Purchaser. Notwithstanding Section 6.6(a)(i)(E), Seller Parent and Purchaser Parent shall share equally the costs of such consulting firm.

(vii) This Section 6.6(e) does not apply to any Liabilities under a Conveyed Subsidiary Plan, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A). For clarity, Seller Parent and its Affiliates shall retain all assets and Liabilities, including those related to Business Employees and Former Business Employees (and their service prior to Closing), in respect of Seller Group Plans and Foreign Seller Group Plans that are defined benefit pension plans or pension-like termination benefit plans or arrangements but not Conveyed Subsidiary Plans, or with respect to Transferred Employees (non-U.S.), Seller Pension Plans.

(f) Defined Contribution Plans (U.S.).

(i) Effective as of the Closing, Purchaser shall create or designate defined contribution pension plans (collectively, the "Purchaser DC Plans (U.S.)") for the benefit of the Transferred Employees (U.S.) who participate in one or more of the defined contribution pension plans maintained by Seller Parent or its Affiliates (other than a Conveyed Subsidiary Plan) that are intended to be qualified under Section 401(a) of the Code immediately prior to the Closing or the corresponding provisions of the Puerto Rico Internal Revenue Code (collectively, the "Seller DC Plans (U.S.)," and the Transferred Employees who participate in the Seller DC Plans (U.S.), the "DC Employees (U.S.)"). The applicable Purchaser DC Plans (U.S.) shall be tax-qualified in the same manner as the corresponding Seller DC Plans (U.S.), and, prior to the Closing, Purchaser shall provide Seller Parent any determination letters or similar documentation evidencing such qualification.

(ii) Each Purchaser DC Plan (U.S.) shall allow for the receipt in cash from the DC Employees (U.S.) of "eligible rollover distributions" (as such term is defined under Section 402 of the Code or any equivalent term under the Puerto Rico Internal Revenue Code), but also including notes corresponding to loans. Purchaser and Seller Parent shall work together in order to facilitate any such distribution or rollover and to effect an eligible rollover distribution for those DC Employees (U.S.) who elect to rollover their account balances, including notes, directly into a Purchaser DC Plan (U.S.).

(iii) Any DC Employee (U.S.) who has an unvested account balance under a Seller DC Plan (U.S.) as of the Closing Date shall become vested on the Closing Date in a prorated portion thereof, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Any DC Employee (U.S.) who would be eligible for an employer contribution had he or she remained an active participant in the applicable Seller DC Plan (U.S.) until the next date on which such employer contribution would be made, shall receive a prorated employer contribution under the applicable Seller DC Plan (U.S.) on or as soon as reasonably practicable following the Closing Date, determined based on the number of days in the applicable service period elapsed as of the Closing Date. The contributions and vesting of benefits described in this Section 6.6(f)(iii) shall be Retained Liabilities.

(g) Defined Contribution Plans (non-U.S.).

(i) Effective as of the Closing, Purchaser shall establish or designate defined contribution plans or arrangements (collectively, the "Purchaser DC Plans (non-U.S.)") for the benefit of the Transferred Employees (non-U.S.) who participate in one or more of the defined contribution plans maintained by Seller Parent or its Affiliates (other than a Conveyed Subsidiary Plan) or any other arrangement that provides for similar benefits pursuant to applicable Law or local practice (collectively, the "Seller DC Plans (non-U.S.)," and the Transferred Employees who participate in the Seller DC Plans (non-U.S.), the "DC Employees (non-U.S.)"). The applicable Purchaser DC Plans (non-U.S.) shall be tax-qualified in the same manner as the corresponding Seller DC Plans (non-U.S.), and, prior to the Closing, Purchaser shall provide Seller Parent any determination letters or similar documentation evidencing such qualification. To the extent permitted by applicable Law, each Purchaser DC Plan (non-U.S.) shall allow for the receipt in cash from the DC Employees (non-U.S.) of rollover distributions, but also including notes corresponding to loans. Purchaser and Seller Parent shall work together in order to facilitate any such distribution or rollover and to effect a rollover distribution for those DC Employees (non-U.S.) who elect to rollover their account balances, including notes, directly into a Purchaser DC Plan (non-U.S.).

(ii) Notwithstanding Section 6.6(g)(i), if applicable Law requires Purchaser to assume the Liabilities of the DC Employees (non-U.S.) under a Seller DC Plan (non-U.S.), Seller Parent shall cause the transfer under each such Seller DC Plan (non-U.S.) to the corresponding Purchaser DC Plan (non-U.S.) of (A) the account balances of such DC Employees (non-U.S.) as of the Closing or cash, cash equivalents or other property equal to the actual account balances of the DC Employees (non-U.S.) under each such Seller DC Plan (non-U.S.) as of the Closing or such greater amount as is required by any applicable Governmental Authority having jurisdiction over the Seller DC Plan (non-U.S.) in order to obtain approval of such transfer, and (B) any notes corresponding to loans of the DC Employees (non-U.S.) (collectively, the "DC Transfer Amounts"). The transfer of the DC Transfer Amounts shall be subject to such consents, Approvals and other legal requirements as may apply under applicable Law. Purchaser shall use commercially reasonable efforts to cause the DC Transfer Amounts to be accepted by such plans. The DC Transfer Amounts to be transferred, if any, from the respective Seller DC Plans (non-U.S.) shall be equitably adjusted to take into account benefit payments made from the respective Seller DC Plans (non-U.S.) to the DC Employees (non-U.S.) after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The transfer of the DC Transfer Amounts, if any, shall take place within one hundred eighty (180) days after the Closing Date. At the times of the transfers of the DC Transfer Amounts, Purchaser and the Purchaser DC Plans (non-U.S.) shall assume all Liabilities with respect to the DC Transfer Amounts relating to Transferred Employees (non-U.S.) that were transferred from the applicable Seller DC Plan (non-U.S.), and Seller Parent and its Affiliates and the Seller DC Plans (non-U.S.) shall be relieved of all such Liabilities under such Seller DC Plan (non-U.S.) with respect to such Transferred Employees (non-U.S.). From and after the date of the transfer of the DC Transfer Amounts, Purchaser agrees to indemnify and hold harmless Seller Parent and its Affiliates and their respective officers, directors, employees and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the DC Transfer Amounts for Transferred Employees (non-U.S.) under the applicable Seller DC Plans (non-U.S.).

(iii) Any DC Employee (non-U.S.) who has an unvested account balance under a Seller DC Plan (non-U.S.) as of the Closing Date shall become vested on the Closing Date in a prorated portion thereof, determined based on the number of days in the applicable vesting period elapsed as of the Closing Date. Any DC Employee (non-U.S.) who would be eligible for an employer contribution had he or she remained an active participant in the applicable Seller DC Plan (non-U.S.) until the next date on which such employer contribution would be made, shall receive a prorated employer contribution under the applicable Seller DC Plan (non-U.S.) on or as soon as reasonably practicable following the Closing Date, determined based on the number of days in the applicable service period elapsed as of the Closing Date. The contributions and vesting of benefits described in this Section 6.6(g)(iii) shall be Retained Liabilities.

(iv) This Section 6.6 does not apply to any Liabilities under a Conveyed Subsidiary Plan, which Liabilities shall be retained or assumed by Purchaser in accordance with Section 6.6(a)(i)(A).

(h) Retiree Medical Plans. Effective as of the Closing, each Transferred Employee who is eligible to become a participant upon termination of service in the Seller Retained Plans that provide retiree medical benefits set forth on Section 6.6(h) of the Seller Disclosure Letter (the "Seller Retiree Medical Plans") as of the Closing (i) shall cease being eligible to become a participant, or accrue service towards eligibility, in the Seller Retiree Medical Plans, and Seller Parent and its Affiliates shall have no Liabilities in respect of the provision of post-retirement medical benefits to such Transferred Employee, and (ii) shall commence accruing service towards eligibility and level of benefits (taking into account the recognition of all prior service credit in accordance with Section 6.6(c)(iii)) in a retiree medical plan maintained by Purchaser or its Affiliates that provides benefits that are either (A) no less favorable than those provided under the applicable Seller Retiree Medical Plans, including with respect to an employer subsidy, or (B) the same as those provided to similarly situated Purchaser Business Employees ("Purchaser Retiree Medical Plan"), which Purchaser Retiree Medical Plan shall not be modified in a manner adverse to the Transferred Employees relative to other participants; provided, however, such plans shall have requirements for retirement-eligibility that are the same as those provided to other Purchaser Retiree Medical Plan participants or, if more favorable, during the Continuation Period, the same as the applicable Seller Retiree Medical Plan with respect to the Transferred Employees. Subject to continued employment, the Transferred Employees shall continue accruing service towards eligibility and levels of benefits thereunder, for at least the Continuation Period (or such longer period as required by applicable Law). This Section 6.6(h) shall not limit Purchaser's obligations with respect to a Conveyed Subsidiary Plan or any other arrangement that provides for similar benefits as required by applicable Law, which shall be considered Purchaser Assumed Employee Liabilities, in accordance with Section 6.6(a)(i).

(i) Flexible Spending Accounts. Seller Parent and Purchaser shall take all actions necessary or appropriate so that, effective as of the Closing Date (i) the account balances (whether positive or negative) (the "Transferred FSA Balances") under the applicable flexible spending plan of Seller Parent or its Affiliates (collectively, the "Seller FSA Plan") of the Transferred Employees who are participants in the Seller FSA Plan shall be transferred to one or more comparable plans of Purchaser or its Affiliates (collectively, the "Purchaser FSA Plan"); (ii) the elections, contribution levels and coverage levels of such Transferred Employees shall apply under the Purchaser FSA Plan in the same manner as under the Seller FSA Plan; and (iii) such Transferred Employees shall be reimbursed from the Purchaser FSA Plan for claims incurred at any time during the plan year of the Seller FSA Plan in which the Closing Date occurs that are submitted to the Purchaser FSA Plan from and after the Closing Date on substantially the same basis and substantially the same terms and conditions as under the Seller FSA Plan. As soon as practicable after the Closing Date, and in any event within thirty (30) Business Days after the amount of the Transferred FSA Balances is determined, Seller Parent or its Affiliates shall pay to Purchaser or its Affiliates the net aggregate amount of the Transferred FSA Balances, if such amount is positive, and Purchaser or its Subsidiaries shall pay to Seller Parent or its Affiliates the net aggregate amount of the Transferred FSA Balances, if such amount is negative.

(j) Employment Agreements. Except for any Liabilities related to transaction bonuses or retention awards granted prior to Closing to any Transferred Employee that are or were adopted without Purchaser Parent's prior written approval (collectively, the "Seller Retention Awards"), any employment, severance, retention or other individual agreement between Seller Parent or its Affiliates and a Transferred Employee and the related Liabilities shall, effective as of the Closing, be assumed by Purchaser or its Subsidiaries, and shall be considered Purchaser Assumed Employee Liabilities in accordance with Section 6.6(a)(i). Seller Parent shall reimburse Purchaser or its applicable Affiliate, as soon as practicable but in any event within thirty (30) days of receipt of appropriate verification, for all costs and expenses paid or incurred by Purchaser or its applicable Affiliate after the Closing Date with respect to the Seller Retention Awards, including the employer side Taxes or other payments related thereto.

(k) Deferred Compensation. Seller Parent and its Affiliates shall retain all assets and Liabilities in respect of the Seller Group Plans and Foreign Seller Group Plans set forth on Section 6.6(k) of the Seller Disclosure Letter, which are nonqualified or non-approved retirement plans that are not Conveyed Subsidiary Plans. For purposes of any Seller Group Plan or Foreign Seller Group Plan that provides for "nonqualified deferred compensation" within the meaning of Section 409A of the Code, in accordance with Treasury Regulation § 1.409A-1(h)(4), Seller Parent and Purchaser agree that the transfer of a Transferred Employee's employment in accordance with this Agreement shall not constitute a "separation from service" within the meaning of Section 409A of the Code, and, further, for any such Seller Group Plan or Foreign Seller Group Plan in respect of which Seller Parent or its Affiliates are retaining Liabilities related to a Transferred Employee, that Purchaser shall notify Seller Parent in writing of a Transferred Employee's separation from service with Purchaser or its Affiliates within thirty (30) days thereafter.

(l) Labor and Employment Law Matters. Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, cooperate to take all steps, on a timely basis, as are required under applicable Law (including the Transfer of Undertakings Laws) or any Collective Bargaining Agreement to notify, consult with, or negotiate the effect, impact, terms or timing of the transactions contemplated by this Agreement with each works council, union, labor board, employee group (or employees directly) or Governmental Authority related to the foregoing. Seller Parent shall regularly review with Purchaser the progress of the notifications, consultations and negotiations with each such works council, union, labor board, employee group (or employees directly) and Governmental Authority regarding the effect, impact or timing of the transactions contemplated by this Agreement. Purchaser and Seller Parent shall, and shall cause their respective Affiliates to, comply with all applicable Laws, directives and regulations relating to the Business Employees in connection with this Section 6.6(l). To the extent required by Law or Collective Bargaining Agreement (and within the time periods required by Law or Collective Bargaining Agreement), Purchaser shall or shall cause its applicable Affiliate to (i) become a party to any Collective Bargaining Agreement with respect to applicable Transferred Employees and shall be responsible for all Liabilities under any Collective Bargaining Agreement with respect to any Business Employee or Former Business Employee, regardless of whether arising prior to, on or after the Closing Date, and (ii) join any industrial, employer or similar association or federation. Purchaser shall indemnify Seller Parent and its Affiliates for any Liabilities incurred by Seller Parent and its Affiliates with respect to Purchaser or its Affiliates' failure to comply with the obligations under this Section 6.6(l), which shall be considered Purchaser Assumed Employee Liabilities in accordance with Section 6.6(a)(i). Seller Parent shall indemnify Purchaser and its Affiliates for any Liabilities incurred by Purchaser and its Affiliates with respect to Seller Parent's or its Affiliates' failure to comply with the obligations under this Section 6.6(l).

(m) Immigration. Purchaser and Seller Parent shall, or shall cause their respective Affiliates to, use commercially reasonable efforts to ensure that any foreign national, who requires a visa in order to work for Seller Parent or its Affiliate in his or her current position, may continue to work in such position as a Transferred Employee following the Closing Date, or, as applicable, such later date that such Business Employee's employment transfers to Purchaser or its applicable Affiliate.

(n) Access to Independent Contractors and Service Providers. During the period prior to the Closing Date, Seller Parent shall use commercially reasonable efforts to make individual natural person independent contractors related to the Business and directly engaged by Seller Parent or its Affiliates available to Purchaser for the purpose of allowing Purchaser to interview each such contractor and determine the nature and extent of each such person's continuation with Purchaser, if any. Seller Parent shall provide to Purchaser contact information for third-party service providers providing contingent personnel to the Business and reasonably cooperate in identifying and facilitating Purchaser's engagement of such contingent work force to the extent requested by Purchaser.

(o) Communications. Prior to the Closing, any employee notices or communication materials (including website postings) from Purchaser or its Affiliates to the Business Employees (including their representatives), including notices or communication materials with respect to employment, compensation or benefits matters addressed in this Agreement or related, directly or indirectly, to the transactions contemplated by this Agreement or employment thereafter, shall be subject to the prior review, comment and approval of Seller Parent (such approval not to be unreasonably withheld, conditioned or delayed). Prior to the Closing, any employee notices or communication materials (including website postings) from Seller Parent or its Affiliates to the Business Employees (or their representatives) with respect to employment with, or compensation or benefits to be provided by, Purchaser or its Affiliates following the Closing, shall be subject to the prior review, comment and approval of Purchaser (such approval not to be unreasonably withheld, conditioned or delayed). Further, prior to the Closing, Purchaser and its Affiliates shall not make broad-based unwritten communications to the Business Employees without Seller Parent's prior approval (such approval not to be unreasonably withheld, conditioned or delayed). Seller Parent and Purchaser shall coordinate to establish a protocol for reviewing and approving forms of employee notices and communication materials, and employee notices and communication materials that are consistent with the agreed form shall not be subject to further review and approval.

(p) Taxes and Filings. With respect to each Transferred Employee (U.S.), the Parties shall, or shall cause their respective Affiliates to, (i) treat Purchaser or its applicable Affiliate as a "successor employer" and Seller Parent or its applicable Affiliate as a "predecessor," within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code, for purposes of Taxes imposed under the U.S. Federal Insurance Contributions Act, as amended ("FICA"), or the U.S. Federal

Unemployment Tax Act, as amended ("FUTA"), (ii) cooperate with each other to avoid the restart of FICA and FUTA upon or following the Closing with respect to each such Transferred Employee for the year during which the Closing occurs, and (iii) implement the alternate procedure described in Section 5 of Revenue Procedure 2004-53, including with respect to the filing of all applicable forms (including Form 941). In addition, with respect to each Transferred Employee (U.S.), Purchaser shall be responsible for the filing of Form 1095-C in respect of the year in which the Closing occurs. In accordance with Section 6.5(c), Seller Parent and its Affiliates shall be entitled to any Tax deduction available in respect of all compensation and benefit-related Liabilities that it retains pursuant to this Section 6.6.

(q) Cooperation. Subject to applicable Law and Section 2.2 and Section 6.4, from the date of this Agreement until the Closing, Seller Parent, Purchaser, and their respective Affiliates will reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 6.6, including (i) exchanging information and data reasonably necessary for Seller Parent and Purchaser to comply with their respective obligations under this Section 6.6, (ii) making any and all required filings and notices, (iii) making any and all required communications with Business Employees, and (iv) obtaining any required approvals of a Governmental Authority.

(r) No Third Party Beneficiaries. This Section 6.6 is included for the sole benefit of the Parties and their respective permitted transferees and permitted assigns and does not and shall not create any right in any Person, including any current or former employee of Seller Parent or any of its Affiliates, any Business Employee, any Transferred Employee or beneficiary or dependent of the foregoing, who is not a Party. Nothing contained in this Agreement (express or implied) is intended to (a) create or amend any employee benefit plan or arrangement or (b) confer upon any individual any right to employment for any period of time, or any right to a particular term or condition of employment. No current or former employee of Seller Parent or any of its Affiliates, any Business Employee, Former Business Employee or any Transferred Employee, including any beneficiary or dependent thereof, or any other Person not a Party or permitted transferee or permitted assign thereof, shall be entitled to assert any claim against Purchaser, Seller Parent or any of their respective Affiliates under this Section 6.6.

Section 6.7 Intercompany Accounts and Arrangements.

(a) Seller Parent may take (or cause one or more of its Affiliates to take) such action as is necessary or advisable to settle, effective as of, or prior to, the Closing Date, all intercompany accounts that are in the nature of Funded Indebtedness between a Conveyed Subsidiary or any Subsidiary thereof, on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, in such a manner as Seller Parent shall determine in its sole discretion without any further Liability or obligation therefor of any Person. Any intercompany accounts that are in the nature of Funded Indebtedness between a Conveyed Subsidiary or any Subsidiary thereof, on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, that are settled after 12:01 a.m. (New York time) on the Closing Date but in connection with the Closing shall be deemed for purposes of this Agreement to have been settled as of 12:01 a.m. (New York time) on the Closing Date, and any intercompany accounts that are in the nature of Funded

Indebtedness between a Conveyed Subsidiary (or any of its Subsidiaries), on the one hand, and Seller Parent or any of the Retained Subsidiaries, on the other hand, that remain outstanding following the Closing shall not be deemed Purchased Assets or Assumed Liabilities for purposes of this Agreement. Except for the Ancillary Agreements or the agreements set forth in Section 6.7 of the Seller Disclosure Letter or as otherwise expressly contemplated by this Agreement, all intercompany arrangements and agreements, that are in the nature of Funded Indebtedness whether written or oral, between Seller Parent or any of the Retained Subsidiaries, on the one hand, and any of the Conveyed Subsidiaries or their Subsidiaries, on the other hand, shall be terminated as of or prior to the Closing Date without any further Liability or obligation thereunder of any Person and shall be of no further force and effect after the Closing.

(b) Purchaser Parent may take (or cause one or more of its Affiliates to take) such action as is necessary or advisable to settle, effective as of, or prior to, the Closing Date, all intercompany accounts that are in the nature of Funded Indebtedness (other than intercompany accounts arising pursuant to a Purchaser Ancillary Agreement) between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, in such a manner as Purchaser Parent shall determine in its sole discretion without any further Liability or obligation therefor of any Person. Any such intercompany accounts that are in the nature of Funded Indebtedness between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand, that are settled after 12:01 a.m. (New York time) on the Closing Date but in connection with the Closing shall be deemed for purposes of this Agreement to have been settled as of 12:01 a.m. (New York time) on the Closing Date, and any intercompany accounts that are in the nature of Funded Indebtedness between Purchaser or any Subsidiary of Purchaser, on the one hand, and Purchaser Parent or any Subsidiary of Purchaser Parent (other than Purchaser and its Subsidiaries), on the other hand (other than intercompany accounts arising pursuant to a Purchaser Ancillary Agreement), that remain outstanding following the Closing shall not be deemed an asset of Purchaser or a Purchaser Liability for purposes of this Agreement (including for purposes of calculating the Purchaser Working Capital), and Purchaser Parent shall cancel or otherwise transfer such intercompany account from Purchaser and its Subsidiaries for no consideration. All Liabilities related to or arising out of the intercompany loan between Setfirst Limited and Purchaser in respect of the acquisition by Purchaser or its applicable Affiliates of Novartis AG's interest in Purchaser and its applicable Affiliates shall be fully extinguished and cancelled, effective prior to the Closing Date, or shall otherwise be transferred to Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) prior to the Closing Date and shall constitute a Purchaser Parent Retained Liability for all purposes hereunder, in any case without any further Liability or obligation therefor for Purchaser or any of its Subsidiaries. Except for the Ancillary Agreements or the Purchaser Related Party Contracts set forth in Section 6.7 of the Purchaser Parent Disclosure Letter (the Purchaser Related Party Contracts set forth thereon, the "Purchaser Ancillary Agreements") or as otherwise expressly contemplated by this Agreement, all Purchaser Related Party Contracts shall be terminated as of or prior to the Closing Date without any further Liability or obligation thereunder of any Person and shall be of no further force and effect after the Closing.

(c) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement or any commercial or other matter unrelated to this Agreement, effective as of the Closing, each of Purchaser Parent and Purchaser, on behalf of itself and its respective Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, hereby releases Seller Parent and each of its Subsidiaries and Affiliates (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Business, the Retained Businesses, the Purchaser Business or the operations of the Conveyed Subsidiaries (or their Subsidiaries) prior to the Closing, or relating to or arising out of Seller Parent's or its Affiliate's ownership of the Purchased Assets.

(d) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement, effective as of the Closing, Purchaser Parent, on behalf of itself and its respective Affiliates (other than Purchaser and its Subsidiaries) hereby releases Purchaser and each of its Subsidiaries (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Purchaser Business, the Purchaser Parent Retained Businesses or the operations of Purchaser and its Subsidiaries prior to the Closing, or relating to or arising out of the assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries.

(e) Except to the extent provided to the contrary in this Section 6.7 and for any rights or obligations pursuant to this Agreement or any Ancillary Agreement or, in the case of Purchaser Parent, Purchaser and each of its Subsidiaries and Affiliates (other than the Conveyed Subsidiaries and their Subsidiaries), any commercial or other matter unrelated to this Agreement, effective as of the Closing, Seller Parent, on behalf of itself and its Affiliates, hereby releases each of Purchaser Parent, Purchaser and each of its Subsidiaries and Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) (and their respective officers, directors and employees, acting in their capacity as such) from any Liability, obligation or responsibility to any of them for any and all past actions or failures to take action prior to the Closing directly or indirectly relating to or arising out of the Business, Purchaser Business, the Retained Businesses or the operations of the Conveyed Subsidiaries (or their Subsidiaries) prior to the Closing.

Section 6.8 Access to Records and Information.

(a) Each of Seller Parent and its Affiliates and each of Purchaser Parent, Purchaser and their Affiliates shall retain the books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers relating to the Business or the Purchaser Business in its possession for at least seven (7) years following the Closing Date or for such longer period as may be required by Law or any applicable Governmental Order. Each Party shall give reasonable written notice to the other Parties before ceasing to maintain any such materials, and shall deliver to the other Parties at the other Parties' expense upon request any such materials that it has proposed no longer to maintain.

(b) Following the Closing and subject to applicable Law, each Party shall, and shall cause its Affiliates (including, in the case of Purchaser Parent and Purchaser, the Conveyed Subsidiaries and their Subsidiaries) to, permit the other Parties and their Affiliates and Representatives reasonable access during normal business hours to such books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers and to personnel having knowledge of the whereabouts and/or contents of such books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers, for legitimate business reasons, including in connection with financial statements, reporting obligations and compliance with applicable Laws, and to provide such other information relating to the Business or the Purchaser Business as may be reasonably requested by any such other Party for such purposes; provided that each Party may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Party, (i) applicable Law requires it or any of its Affiliates to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of its and its Subsidiaries' respective businesses, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of Seller Parent, the information relates to the Strategic Process, or in the case of Purchaser Parent, the information relates to the review of strategic alternatives with respect to the Purchaser Business, and for clarity in each case (with respect to both Seller Parent and Purchaser Parent) pertaining to such review prior to the Closing, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Party restricts access or withholds information on the basis of the foregoing clauses (i) through (vi), such Party shall, if permitted, inform the Party requesting such access or information as to the general nature of what is being restricted or withheld and the reason therefor, and such Parties shall each use their commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. Each Party will hold in confidence all Confidential Information obtained from the other Parties or any of their Affiliates in accordance with Section 6.12. The Parties agree that, with respect to any matters that are the subject of this Section 6.8(b) and Section 6.5(i), the provisions of Section 6.5(i) (and not this Section 6.8(b)) shall control.

(c) Without limiting the foregoing in this Section 6.8, Purchaser Parent and Purchaser acknowledge and agree that Seller Parent and its Affiliates shall retain, after the Closing, access and use rights with respect to, and may retain copies of, the Registration Information (including in relation to pending applications for Product Registrations and Manufacturing Registrations) for Seller Parent's and its Affiliates' use for legal and regulatory compliance purposes.

Section 6.9 Mail and Other Communications. After the Closing Date, each Party and their respective Affiliates may receive mail and other communications properly belonging to the other Parties (or the other Parties' Affiliates). Accordingly, at all times after the Closing Date, each Party authorizes each of the other Parties and their respective Affiliates to receive and open all mail and other communications received by it and not unambiguously intended for any other Party (or its Affiliates) or any other Party's (or its Affiliates') officers or directors, and to retain the same to the extent that they relate to the business of the receiving Party or, to the extent that they

do not relate to the business of the receiving Party, the receiving Party shall promptly deliver such mail or other communications (or, in case the same relate to both businesses, copies thereof) to the Party for which such mail and communications are intended. The provisions of this Section 6.9 are not intended to, and shall not be deemed to, constitute an authorization by any Party to permit the other to accept service of process on its behalf and no Party is or shall be deemed to be the agent of any other for service of process purposes.

Section 6.10 Transfer of Business IP and Registrations. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, Purchaser Parent shall be responsible for preparing and filing all instruments and documents necessary to effect the assignment of the Business IP that is owned by Seller Parent or its Subsidiaries, Product Registrations and Manufacturing Registrations to Purchaser and its Affiliates, including all costs and expenses of preparing and recording country-specific assignments and legalization of signatures (where required). Subject to Section 2.2 and Section 6.4, Seller Parent shall, and shall cause its Affiliates to, cooperate with the foregoing as set forth herein and in Section 6.4; provided that, notwithstanding anything to the contrary herein, such obligation of Seller Parent to cooperate shall expire twenty-four (24) months following the Closing Date (except with respect to Registered Business IP that is owned or purported to be owned by Seller Parent or its Subsidiaries or their predecessors with respect to which there are gaps in the chain of title and the record or beneficial title is, as of the Closing Date, not in the name of a Seller, which obligation shall continue until forty-eight (48) months following the Closing Date.

Section 6.11 No Solicitation. For a period of two (2) years after the Closing Date, (a) Seller Parent shall not, and shall cause its Affiliates not to, directly or indirectly, solicit for employment or hire any employee of Purchaser or its Subsidiaries with the title of vice-president or senior director or more senior and (b) Purchaser Parent shall not, and shall cause its Affiliates (other than Purchaser and its Subsidiaries) not to, solicit for employment or hire any employee of Purchaser or its Subsidiaries with the title of vice-president or senior director or more senior; provided, however, that the foregoing will not restrict Seller Parent's, Purchaser Parent's or their respective Affiliates' ability to conduct generalized searches for officers or employees, including through search firms, bona fide public advertisements on websites or in periodicals of general circulation, so long as such searches are not targeted at any such employees (or hire any person as a result of such searches), or to solicit (or hire) any person whose employment has been terminated by Purchaser or any of its Affiliates at least six (6) months prior to any such solicitation.

Section 6.12 Confidentiality.

(a) For a period of five (5) years after the Closing Date (and for trade secrets, for so long as they remain trade secrets), each Party shall hold, and shall cause their respective Affiliates to hold, and shall cause their respective Representatives to hold, in confidence and not to disclose or release or use in any manner without the prior written consent of the other Parties any and all of the other Parties' Confidential Information; provided that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective Affiliates or Representatives who have a need to know such information and are informed of their obligation to treat such information in the same manner as is applicable to the Parties and in respect of whose

failure to comply with such obligations Seller Parent, Purchaser Parent or Purchaser, as the case may be, will be responsible, (ii) if the Parties or their respective Affiliates or Representatives are compelled to disclose, on the advice of legal counsel, any such Confidential Information by judicial or administrative process or by other requirements of Law or any securities exchange, market or automated quotation system to which such Person is subject or (iii) in connection with any Action to enforce such Party's rights under this Agreement or any Ancillary Agreement, or otherwise in the performance by such Party of this Agreement or any Ancillary Agreement in accordance with its terms. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made by a Party pursuant to clause (ii) above, such Party shall (x) to the extent legally permissible, promptly notify the other Parties of the existence of such request or demand and the disclosure that is expected to be made in respect thereto, in each case with sufficient specificity so that the other Parties may, at their expense, seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 6.12 and (y) if requested by another Party, assist such other Party, at such other Party's expense, in seeking a protective order or other appropriate remedy in respect of such request or demand; provided that a Party and its Affiliates and Representatives shall be permitted to disclose such Confidential Information without notice in response to a demand or request for disclosure of Confidential Information in connection with a routine examination or audit by a Governmental Authority that is not specifically directed at the transactions contemplated by this Agreement or such Confidential Information, provided that such disclosing Party and, if applicable, such Affiliate or Representative, exercise its and their reasonable best efforts to preserve the confidentiality of such Confidential Information, including by obtaining reasonable assurances that confidential treatment shall be accorded any Confidential Information so disclosed. If such a protective order or other remedy or the receipt of a waiver by another Party is not obtained and such disclosing Party or any of its Affiliates or Representatives is, nonetheless, following consultation with its legal counsel, required by such judicial or administrative process, Law or securities exchange, market or automated quotation system to disclose any Confidential Information, such disclosing Party (or such Affiliate or Representative) may, after compliance with the immediately preceding sentence of this Section 6.12(a), disclose only that portion of the Confidential Information which it has been advised by its legal counsel is required to be disclosed, provided that such disclosing Party and, if applicable, such Affiliate or Representative, exercise its and their reasonable best efforts to preserve the confidentiality of such Confidential Information, including by obtaining reasonable assurances that confidential treatment shall be accorded any Confidential Information so disclosed.

(b) As used in this Agreement, "Confidential Information" means all non-public proprietary, technical, economic, environmental, operational, financial or other business information or material, data, reports, interpretations, forecasts and business plans, in written, oral (including by recording), electronic or visual form, in the possession of, or which has been disclosed to, whether prior to or following the Closing Date, a Party or its Affiliates or Representatives by any other Party or its Affiliates or Representatives, including pursuant to the access provisions of this Agreement or any Ancillary Agreement, (i) related to the transactions contemplated by this Agreement or the Strategic Process, (ii) in the case of Seller Parent and its Affiliates and Representatives, to the extent relating to the Purchaser Parent Retained Businesses or the Purchaser Parent Retained Liabilities, and (iii) in the case of Purchaser Parent, Purchaser and their respective Affiliates and Representatives, to the extent relating to the Excluded Assets, the Retained Businesses

or the Retained Liabilities (except, in each case, to the extent that such information can be shown to have been (A) in the public domain (other than as a result of a disclosure by such Party or its Affiliates or Representatives), (B) available after the date hereof to such Party or its Affiliates or Representatives on a non-confidential basis from a source other than the other Parties or their respective Affiliates or Representatives without, to such Party's knowledge after reasonable inquiry, being subject to any contractual or other obligation of confidentiality to the other Parties or their respective Affiliates or Representatives or (C) independently developed by or on behalf of such Party or its Affiliates or Representatives without use of, reference to or reliance upon any Confidential Information of the other Parties (as can be demonstrated by such Party by appropriate documentary evidence) and not, to such Party's knowledge after reasonable inquiry, subject to any contractual or other obligation of confidentiality to the other Parties or their respective Affiliates or Representatives).

(c) Notwithstanding anything to the contrary set forth herein, (i) Seller Parent and its Affiliates, on the one hand, and Purchaser Parent, Purchaser and their respective Affiliates, on the other hand, shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar information, materials or other documents and (ii) confidentiality obligations contained in any agreement between Seller Parent or any of its Affiliates, or Purchaser Parent, Purchaser or any of their respective Affiliates, on the one hand, and any employee of Seller Parent or any of its Affiliates, or Purchaser Parent, Purchaser or any of their respective Affiliates, on the other hand, shall remain in full force and effect.

(d) Notwithstanding the foregoing in this Section 6.12, to the extent that an Ancillary Agreement or another Contract pursuant to which a Party or any of its Affiliates is bound provides that certain Confidential Information shall be maintained confidential on a basis that is more protective of such Confidential Information or for a longer period of time than provided for in this Section 6.12, then the applicable provisions contained in such Ancillary Agreement or other Contract shall control with respect thereto. After the Closing Date, the Confidentiality Agreement shall be deemed to have been terminated by the parties thereto and shall no longer be in effect. Seller Parent shall enforce, or otherwise assign to Purchaser, its rights under any confidentiality agreements entered into by Seller Parent with other potential purchasers of the Business in connection with the Strategic Process with respect to the confidentiality, non-disclosure or use of Evaluation Material (as defined in such confidentiality agreements) to the extent related to the Business. Seller Parent shall, promptly after the date hereof, request the return or destruction of any such Evaluation Material provided to such other potential purchasers to the extent required to be returned or destroyed in accordance with and subject to the terms of such confidentiality agreements.

Section 6.13 Guarantees; Letters of Credit.

(a) Without limiting Section 6.13(b) in any respect, Purchaser shall use its reasonable best efforts to cause itself, one of its Affiliates or the Conveyed Subsidiaries to be substituted in all respects for the Sellers and any of their respective Affiliates and for the Sellers and their respective Affiliates to be released, effective as of the Closing, in respect of all Liabilities and obligations of the Sellers and any of their respective Affiliates under or related to each of the Seller Parent Guarantees and Seller Parent LCs (other than to the extent related to the Retained Business, Excluded Assets or Retained Liabilities), and Purchaser Parent and the Sellers shall reasonably cooperate in Purchaser's efforts. Subject to the parenthetical in the preceding sentence, for any Seller Parent Guarantee or Seller Parent LC for which Purchaser or any Conveyed Subsidiary, as applicable, is not substituted in all respects for the Sellers and their respective Affiliates (or for which the Sellers and their respective Affiliates (other than the Conveyed Subsidiaries) are not released), effective as of the Closing, Purchaser shall continue to use its reasonable best efforts, and shall cause the Conveyed Subsidiaries to use their reasonable best efforts, to effect such substitution and release after the Closing, and Purchaser Parent and the Sellers shall continue to reasonably cooperate in Purchaser's efforts; provided that none of the Sellers, Purchaser Parent or any of their respective Affiliates (other than Purchaser and its Subsidiaries) shall have any obligation to make payments or incur any costs or expenses, grant any concession or incur any other Liability in connection with such cooperation pursuant to this Section 6.13 except to the extent Purchaser agrees to promptly reimburse Sellers, Purchaser Parent and their Affiliates (other than Purchaser and its Subsidiaries), as applicable, or agrees to fully indemnify the Sellers, Purchaser Parent and their Affiliates (other than Purchaser and its Subsidiaries), as applicable, for any such Liabilities to Seller Parent's or Purchaser Parent's reasonable satisfaction, as applicable. Without limiting the foregoing, neither Purchaser nor any of its Affiliates shall extend, renew, increase its obligations under or transfer to a third party any Contract containing or underlying a Seller Parent Guarantee or Seller Parent LC or any Contract to which any Seller Parent Guarantee or Seller Parent LC relates or pursuant to which any Seller Parent Guarantee or Seller Parent LC was issued or required to be issued unless, prior to or concurrently with such extension, renewal, increase or transfer, Purchaser or a Subsidiary of Purchaser is substituted in all respects for the Sellers and each of their respective Affiliates, and the Sellers and their respective Affiliates are released, in respect of all Liabilities and obligations of the Sellers and each of their respective Affiliates under or in respect of such Seller Parent Guarantee or Seller Parent LC. In no event shall Seller Parent or any of its Affiliates be obligated to pay any money to any Person to effect the substitutions described in this Section 6.13(a). The Parties agree that neither Seller Parent nor any of the Retained Subsidiaries will have any obligation to renew any Seller Parent LCs after the expiration of any such letter of credit. Neither the Seller Parent Guarantees nor the Seller Parent LCs shall be deemed Purchased Assets hereunder.

(b) Without limiting Section 6.13(a) in any respect, from and after the Closing, Purchaser and its Subsidiaries, including the Conveyed Subsidiaries (and their Subsidiaries), jointly and severally, shall indemnify and hold harmless the Seller Parent Indemnified Parties against any Liabilities that the Sellers or any of their respective Affiliates suffer, incur or are liable for following the Closing by reason of or arising out of or in consequence of (i) the Sellers or any of their respective Affiliates issuing, making payment under, being required to pay or reimburse the issuer of or any other Person in connection with, or being a party to, any Seller Parent Guarantee or Seller Parent LC, (ii) any claim or demand for payment made on the Sellers or any of their respective Affiliates with respect to any Seller Parent Guarantee or Seller Parent LC or (iii) any Action by any Person who is or claims to be entitled to the benefit of or claims to be entitled to payment, reimbursement or indemnity with respect to any Seller Parent Guarantee or Seller Parent LC.

Section 6.14 Certain Ancillary Agreements.

(a) Prior to the date hereof, Purchaser Parent has delivered to Seller Parent true and complete copies of all Purchaser Ancillary Agreements currently in effect (and within forty-five (45) days following the date hereof shall provide Seller Parent with true and complete copies of any other material Purchaser Related Party Contracts to the extent not previously provided). Following the date hereof, the Parties will discuss, cooperate and negotiate reasonably and in good faith to cause to be prepared reasonably in advance of the Closing, and in any event to be finalized within one hundred and twenty (120) days following the date hereof, forms of each of the following: (i) a transition services agreement with respect to the provision of certain services on a transitional basis following the Closing by Seller Parent, or certain of its Affiliates, to Purchaser and its Subsidiaries (and, to the extent reasonably requested by Seller Parent, a reciprocal reverse transition services agreement with respect to the provision of services by Purchaser and its Subsidiaries to Seller Parent and its Affiliates relating to any Excluded Assets that are not transferred out of the Conveyed Subsidiaries or their Subsidiaries prior to the Closing, if any) (the "Transition Services Agreement"), (ii) a cross-license agreement with respect to the license of certain Intellectual Property related to and used in the Business to Purchaser and its Subsidiaries and certain Business IP related to and used in the Retained Businesses to Seller Parent and its Affiliates (the "Intellectual Property License Agreement"), (iii) a manufacturing and supply agreement with respect to the supply of certain Products manufactured at Retained Facilities by Seller Parent, or certain of its Affiliates, to Purchaser, or certain of its Subsidiaries (the "Manufacturing and Supply Agreement (Seller Parent as Supplier)"), (iv) a manufacturing and supply agreement with respect to the supply of certain products commercialized by the Retained Businesses that are manufactured at the Facilities by Purchaser, or certain of its Subsidiaries, to Seller Parent, or certain of its Affiliates (the "Manufacturing and Supply Agreement (Purchaser as Supplier)"), (v) Intellectual Property assignment agreements with respect to the assignment of Seller Parent's and its Subsidiaries' right, title and interest in the Business IP in accordance with this Agreement to Purchaser and its Subsidiaries (the "IP Assignment Agreements"), (vi) a transitional trademark license agreement with respect to the license of certain Trademarks on a transitional basis following the Closing by Seller Parent, or certain of its Affiliates, to Purchaser and its Subsidiaries (the "Transitional Trademark License Agreement"), (vii) a safety data exchange agreement to govern the provision and safeguarding of certain information provided pursuant to this Agreement in a manner compliant with applicable Law (the "Safety Data Exchange Agreement"), and (viii) the Local Implementing Agreements (the forms of each of the agreements described in the foregoing clauses (i) through (viii), collectively the "Form Ancillary Agreements"). The Parties agree that the Form Ancillary Agreements shall be prepared substantially based on the Form Ancillary Agreements previously provided by Seller Parent to Purchaser Parent appended hereto as Exhibit F and the Parties shall negotiate in good faith those terms that were not agreed to as reflected in Purchaser Parent's responses to such, which are appended hereto as Exhibit G. The Manufacturing and Supply Agreement (Purchaser as Supplier) and the Manufacturing and Supply Agreement (Seller Parent as Supplier) shall be negotiated in accordance with the specific terms and principles set forth on Section 6.14 of the Seller Disclosure Letter. The terms of such Form Ancillary Agreements shall in each case be consistent with the terms of this Agreement.

(b) At the Closing, Purchaser Parent, Purchaser and Seller Parent, as applicable, shall enter into, execute and deliver, or cause their applicable Affiliates to enter into, execute and deliver, each Form Ancillary Agreement, a shareholders agreement substantially in the form set forth in Exhibit C (the "Purchaser Shareholders Agreement"), and a Structuring Considerations Agreement substantially in the form set forth in Exhibit D (the "Structuring Considerations Agreement").

(c) Promptly after the date hereof, Seller Parent and Purchaser Parent shall reasonably cooperate to discuss the service charges in the Support Services Agreement, dated as of March 2, 2015, by and between GlaxoSmithKline Services Unlimited and Purchaser, as amended, and to provide details on such charges to ensure a reasonable methodology is being applied.

(d) Promptly after the date here, the Seller Parent and Purchaser Parent shall negotiate a lease agreement and related documentation in accordance with the terms set forth on Section 6.14(d) of the Seller Disclosure Letter (the "Lease Agreement").

Section 6.15 Retained and Transferred Names.

(a) Retained Names. (i) As soon as reasonably practicable, but in no event later than forty-five (45) days after the Closing, unless a longer period of time is necessary to comply with applicable Law (including to the extent a longer period of time is necessary to assign or update any Product Registrations, Manufacturing Registrations, or Governmental Authorizations or for legal or regulatory compliance purposes) ("Compliance Requirements"), and, in such event, as reasonably promptly as possible as allowed under applicable Law, Purchaser shall cause each Conveyed Subsidiary (and each Subsidiary thereof) to file to change its name and cause its certificate of incorporation (or equivalent organizational document), as applicable, to be amended to remove any and all references to (A) "Pfizer", "Wyeth" or "Pfizer Consumer Health", and (B) all other Retained Names set forth in Section 1.1(E) of the Seller Disclosure Letter or otherwise designated by Seller Parent in writing prior to the Closing (clauses (A) and (B), collectively, the "Retained Brands"); and (ii) notwithstanding anything to the contrary in this Agreement, in the event any name change of any Conveyed Subsidiary (or Subsidiary thereof) in accordance with this Section 6.15(a) would take effect during the term of the Transition Services Agreement, including any extensions thereof, Purchaser shall (a) at least thirty (30) days prior to such name change, consult with Seller Parent regarding the contemplated change and (b) upon Seller Parent's request, refrain from making any such change if Seller Parent determines in good faith that such change would reasonably be expected to result in additional cost or operation burden to Seller Parent or any of its Affiliates in connection with one or more Services (as defined in the Transition Services Agreement) provided by Seller Parent or any of its Affiliates under the Transition Services Agreement, until such time as is as soon as reasonably practicable after the term of the applicable Service (or Services) is terminated or expires pursuant to the terms of the Transition Services Agreement (the date that Purchaser is required to cause each Conveyed Subsidiary to make such name change filing in accordance with clauses (i) and (ii), the "Name Change Date"). Except as authorized pursuant to an Ancillary Agreement, as soon as reasonably practicable after the later of (a) the Closing, but in no event later than forty-five (45) days after the Closing (or, if later, by the later of the Name Change Date or such other date as agreed between Purchaser and Seller Parent) and (b) any longer period of time necessary

with respect to any Compliance Requirement, Purchaser shall, and shall cause its Affiliates to, remove, strike over or otherwise obliterate all Retained Brands from all assets and other materials owned by the Conveyed Subsidiaries (and Subsidiaries thereof), including any sales and product literature, vehicles, business cards, schedules, stationery, packaging materials, displays, signage, advertising, marketing, promotional and related materials, training materials, audio and visual materials, manuals, forms, websites, social media pages and accounts, e-mail and e-mail addresses, computer software and other materials and systems, and shall cease and discontinue any other use of the Retained Brands as of the Closing in the operation of their businesses. Notwithstanding the foregoing, nothing in this Agreement is intended to prohibit any use (or require any removal, striking over, or other obliteration) by Purchaser or any of its Affiliates of any Retained Brand (x) for historical references, including in regulatory filings and to describe the past ownership and affiliation of the Business, and (y) in any manner as is or would have been permitted by applicable Law with respect to Trademarks, including fair use, or nominal use, and other uses not prohibited by Law.

(b) Purchaser Names. As soon as reasonably practicable after the Closing, but in no event later than forty-five (45) days unless a longer period of time is necessary to comply with applicable Law, and, in such event, as reasonably promptly as possible as allowed under applicable Law, Seller Parent shall, and shall cause its Affiliates to, remove, strike over or otherwise obliterate all Business Trademark Rights, as applicable, from all assets and other materials owned by Seller Parent and its Affiliates and, to the extent applicable file to change its name and cause its certificate of incorporation (or equivalent organizational document), as applicable, to be amended to remove any and all references to any Business Trademark Rights, as applicable, including any sales and product literature, vehicles, business cards, schedules, stationery, packaging materials, displays, signage, advertising, marketing, promotional and related materials, training materials, audio and visual materials, manuals, forms, websites, social media pages and accounts, e-mail and e-mail addresses, computer software and other materials and systems, and shall cease and discontinue any other use of such Business Trademark Rights in the operation of their business.

Section 6.16 Compliance with WARN. Purchaser agrees to provide or cause to be provided any required notice under WARN, and otherwise to comply with WARN with respect to any "plant closing" or "mass layoff" or similar event affecting Transferred Employees and occurring on or after the Closing Date. Purchaser agrees to, and shall cause its Affiliates to, indemnify and hold harmless Seller Parent and the Retained Subsidiaries from and against any and all Losses which Seller Parent and the Retained Subsidiaries may incur in connection with any Action or claim of violation brought against Seller Parent and any of the Retained Subsidiaries under WARN (including with respect to any "plant closing" or "mass layoff"), which relate, in whole or in part, to actions taken by Purchaser or any of its Affiliates following the Closing with regard to any site of employment of the Conveyed Subsidiaries (or their Subsidiaries) or the Purchased Assets or any of their respective operating units within any site where a Transferred Employee is located. On or as soon as reasonably practicable following the Closing Date, Seller Parent shall provide, by termination date and work location, the name or employee identification number of each employee or former employee of Seller Parent or its Affiliates and the Conveyed Subsidiaries who has suffered an "employment loss" under WARN at any site of employment where a Business Employee is located within the ninety (90) days immediately preceding the Closing Date.

Section 6.17 Litigation Support; Non-Indemnified Claims.

(a) Following the Closing, each Party and its respective Affiliates, shall cooperate with each other Party and its respective Affiliates in the mitigation, defense or settlement of any Liabilities or Actions involving the Business or Retained Businesses or the Purchaser Business or Purchaser Parent Retained Businesses for which such other Party has responsibility under this Agreement, including with respect to any Retained Liabilities, Purchaser Parent Retained Liabilities, Assumed Liabilities or Purchaser Liabilities, by providing such other Party and such other Party's legal counsel, upon reasonable advance notice in writing and during normal business hours, access to current and former employees, contractors, records, documents, data, equipment, facilities, products, parts, prototypes and other information as such other Party may reasonably request, to the extent maintained or under the possession or control of such Party and its Affiliates; provided that any Party may restrict the foregoing access or the provision of such information to the extent that, in the reasonable judgment of such Party, (i) applicable Law requires such Party or any of its Affiliates, as applicable, to restrict or prohibit such access or the provision of such information, (ii) providing such access would unreasonably interfere with the operation of its and its Subsidiaries' respective businesses, (iii) providing such access or information would breach a confidentiality obligation to a third party, (iv) providing such access or information would result in disclosure of any information that is competitively or commercially sensitive, (v) in the case of Seller Parent, the information relates to the Strategic Process or, in the case of Purchaser Parent, the information relates to review of strategic alternatives with respect to the Purchaser Business, and for clarity in each case (with respect to both Seller Parent and Purchaser Parent) pertaining to such review prior to the Closing, or (vi) providing such access or disclosure of any such information would reasonably be expected to result in the loss or waiver of the attorney-client or other applicable privilege or protection. In the event that a Party restricts access or withholds information on the basis of the foregoing clauses (i) through (vi), such Party shall, if permitted, inform the requesting Party as to the general nature of what is being restricted or withheld and the reason therefor, and such Parties shall each use their commercially reasonable efforts to make appropriate substitute arrangements to permit disclosure of the relevant information in a manner that does not suffer from such impediments. The requesting Party shall reimburse the other Party for its reasonable out-of-pocket expenses paid to third parties in performing its obligations under this Section 6.17. The Parties agree that, with respect to any matters that are the subject of this Section 6.17 and Section 6.5(i), the provisions of Section 6.5(i) (and not this Section 6.17) shall control.

(b) From and after the Closing, (i) Purchaser shall promptly notify Seller Parent of any Action brought by or against a third party with respect to the Business that would reasonably be expected to affect any Retained Business, Excluded Asset or Retained Liability, (ii) Purchaser shall promptly notify Purchaser Parent of any Action brought by or against a third party with respect to the Purchaser Business that would reasonably be expected to affect any Purchaser Parent Retained Business or Purchaser Parent Retained Liability, (iii) Seller Parent shall promptly notify Purchaser and Purchaser Parent of any Action brought by or against a third party with respect to the Retained Businesses that would reasonably be expected to affect the Business or any Purchased Asset or Assumed Liability and (iv) Purchaser Parent shall promptly notify Purchaser and Seller Parent of any Action brought by or against a third party with respect to the Purchaser Parent Retained Businesses that would reasonably be expected to affect the Purchaser Business or any Purchaser

Liability or any assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries. The provisions of Article VII shall apply to any Third Party Claim with respect to which any Indemnified Party is entitled to indemnification under Article VII. With respect to any other third party Action ("Non-Indemnified Claims"), if such Non-Indemnified Claim could reasonably be expected to (i) affect any Purchaser Parent Retained Businesses or Purchaser Parent Retained Liability, Purchaser Parent shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim and to employ counsel of its own choosing for such purpose, (ii) affect any Retained Business, Excluded Asset or Retained Liability, Seller Parent shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim and to employ counsel of its own choosing for such purpose or (iii) affect the Business, the Purchaser Business or any Purchased Asset or Assumed Liability or Purchaser Liability, or any other assets, properties or rights relating to the Purchaser Business or owned, used or held by Purchaser or any of its Subsidiaries, Purchaser shall have the right but not the obligation, at its option and its own expense, to participate in the defense or settlement of such Non-Indemnified Claim; provided, in each case, that such participation would not materially adversely affect the defense of such Non-Indemnified Claim and there is no material conflict of interest between the applicable Parties with respect to such Action.

(c) In furtherance of the foregoing, from and after the Closing Date, each Party shall, and shall cause its respective Affiliates to, (i) cooperate with each other Party and its respective Affiliates in the mitigation, defense or settlement of any Liabilities or Actions described in Section 6.17(b) and (ii) provide to each other, upon written request, reasonable access during normal business hours to their current and former officers, directors, employees, contractors, personnel and agents for fact finding, consultation and interviews and as witnesses in connection with any Action in which the requesting Party may from time to time be involved relating to the matters described in Section 6.17(b), in each case subject to Section 6.17(a). The requesting party agrees to reimburse the other for reasonable out-of-pocket expenses (other than officers' or employees' salaries) incurred in connection with providing individuals and witnesses pursuant to this Section 6.17(c).

Section 6.18 Insurance.

(a) From and after the Closing Date, the Conveyed Subsidiaries and their Subsidiaries shall cease to be insured by Seller Parent's or its Affiliates' insurance policies or by any of their self-insured programs. Seller Parent or any of its Affiliates may amend, effective at or prior to the Closing, any insurance policies in the manner it deems appropriate to give effect to this Section 6.18. From and after the Closing, Purchaser shall be responsible for securing all insurance it considers appropriate for its operation of the Conveyed Subsidiaries and their Subsidiaries and the Business. Seller Parent shall use reasonable best efforts to keep or cause its Affiliates to keep all insurance policies currently maintained with respect to the Business, or suitable replacements or renewals, in full force and effect through 12:01 a.m. (New York time) on the Closing Date.

(b) With respect to any Assumed Liability arising out of events or circumstances pertaining to the Business or Purchased Assets that occurred or existed prior to the Closing and are covered under any occurrence-based unaffiliated third party automobile or general liability insurance policy of Seller Parent or its Subsidiaries (an "Insurance Policy") in effect as of the Closing (such events or circumstances, an "Insurance Matter"), Purchaser may tender such Insurance Matter for submission by Seller Parent or one of its Subsidiaries to the applicable insurer under such Insurance Policy under which the Sellers or the Conveyed Subsidiaries (or any of their Subsidiaries) were insured as of the date of the applicable events or circumstances, in which case Seller Parent will use commercially reasonable efforts to submit a claim with respect to such Insurance Matter to the applicable insurer; provided that Purchaser and the Conveyed Subsidiaries (and their Subsidiaries) shall indemnify Seller Parent and its Affiliates for any reasonable direct costs and expenses (including reasonable costs of investigation of the underlying claim and of collection and any Taxes imposed in respect of such insurance proceeds) in connection with the foregoing and shall be solely responsible for (i) any per claim deductible or per claim self-insured retentions with respect to such Insurance Matter, (ii) any claims, costs and expenses (including attorneys' fees) with respect to such Insurance Matter that are not covered under the relevant Insurance Policy, and (iii) any collateral requirements with respect to such Insurance Matter; provided, further that (A) Purchaser shall not, and shall cause its Affiliates not to, in connection with any Insurance Matter under any Insurance Policy, take any action that would be reasonably likely to result in the applicable insurer terminating or materially reducing coverage under such Insurance Policy, (B) if an Insurance Policy aggregate is exhausted, or believed likely to be exhausted, due to noticed claims, Purchaser, on the one hand, and Seller Parent, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, if any, based upon the amount of the claims submitted by each of them (or their respective Affiliates) thereunder and (C) Purchaser shall not be entitled to make any claims or receive any proceeds to the extent the related Liabilities are included in the calculation of Final Business Working Capital or Final Business Net Cash or such proceeds were otherwise credited to Purchaser at or prior to the Closing. Except as set forth in Section 2.1(o) and the immediately preceding sentence, from and after the Closing, none of Purchaser Parent, Purchaser or any of their respective Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) shall have any access, right, title or interest to or in any of Seller Parent's or its Affiliates' past or current insurance policies or any of their self-insured programs (including to all claims and rights to make claims and all rights to proceeds) to cover any assets of the Conveyed Subsidiaries or their Subsidiaries or any Assumed Liability or any other Liability arising from the operation of the Business or the ownership or use of any Purchased Asset before, on or after the Closing, and Purchaser shall not and shall cause its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) not to seek to assert or to exercise any rights or claims of any Conveyed Subsidiaries or their Subsidiaries or the Business under or in respect of any such past or current insurance policy, including under which any Conveyed Subsidiary or Affiliate thereof or the Business is a named insured, and without limiting the foregoing shall not seek to assert or exercise (w) any rights with respect to any self-insurance programs of Seller Parent or any of its Affiliates, (x) any rights under any fronting insurance programs or arrangements of Seller Parent or its Affiliates, (y) any rights under any claims-made insurance programs of Seller Parent or its Affiliates or (z) any rights to cause Seller Parent or any of its Affiliates to pay any deductible or self-insured retention amount with respect to any claim. Purchaser shall notify Seller Parent promptly of any such Insurance Matter for which it seeks coverage and Purchaser and Seller Parent shall keep each reasonably informed regarding the status of the Insurance Matter.

Section 6.19 Trade Notification. Seller Parent and Purchaser Parent shall agree on the method and content of the notifications to partners, customers, suppliers, wholesalers and distributors of the Business and the Purchaser Business of the transactions contemplated by this Agreement prior to the Closing. Seller Parent and Purchaser agree that such notifications are to provide sufficient advance notice of the transactions contemplated hereby and the plans associated therewith, with the objective of minimizing any disruption of the Business and the Purchaser Business.

Section 6.20 Accounts; Products Received.

(a) All payments and reimbursements received by Seller Parent, Purchaser Parent or their Affiliates after the Closing that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Purchaser or its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) shall be held by such Person in trust for the benefit of Purchaser and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Purchaser the amount of such payment or reimbursement without right of set-off. All payments and reimbursements received after the Closing by Purchaser Parent, Purchaser or their Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Seller Parent or any of its Affiliates, shall be held by such Person in trust for the benefit of Seller Parent and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Seller Parent the amount of such payment or reimbursement without right of set-off. All payments and reimbursements received after the Closing by (x) Seller Parent or its Affiliates or (y) Purchaser or its Subsidiaries that, consistent with the terms and conditions of this Agreement or any Ancillary Agreement, are the property of Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries), shall be held by such Person in trust for the benefit of Purchaser Parent and, promptly following receipt by such Person of any such payment or reimbursement, such Person shall pay over to Purchaser Parent the amount of such payment or reimbursement without right of set-off.

(b) If Products or Purchaser Products are received by Seller Parent or its Affiliates or Purchaser Parent or its Affiliates (other than Purchaser and its Subsidiaries) after the Closing, Seller Parent or Purchaser Parent, as applicable, shall or shall cause such Affiliate to ship those Products or Purchaser Products to Purchaser, or Purchaser's stated representative, at Purchaser's sole cost and expense. Purchaser shall have sole responsibility for accepting and processing all returns following the Closing of Products and disbursing refunds and credits in respect thereof (whether such Products were sold prior to, on or after the Closing Date).

Section 6.21 Directors' and Officers' Indemnification.

(a) If the Closing occurs, Purchaser shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, take any necessary actions to provide that all rights to indemnification and all limitations on liability existing in favor of any current or former officers, directors, partners, members, or managers of the Conveyed Subsidiaries or their Subsidiaries (or their respective predecessors) (collectively, the "D&O Indemnitees"), as provided in (i) the organizational documents of the Conveyed Subsidiaries and their Subsidiaries or (ii) any agreement

providing for indemnification by the Conveyed Subsidiaries or their Subsidiaries of any of the D&O Indemnitees, which agreements are set forth in Section 6.21 of the Seller Disclosure Letter, shall survive the consummation of the transactions contemplated hereby and continue in full force and effect and be honored by the Conveyed Subsidiaries or their Subsidiaries after the Closing.

(b) In the event that any of the Conveyed Subsidiaries or their Subsidiaries or Purchaser or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Conveyed Subsidiaries or their Subsidiaries or Purchaser, as the case may be, shall succeed to the obligations set forth in this Section 6.21.

(c) The obligations of Purchaser under this Section 6.21 shall not be terminated or modified in such a manner as to adversely affect any D&O Indemnitee without the express written consent of such affected D&O Indemnitee (it being expressly agreed that the D&O Indemnitees shall be third party beneficiaries of this Section 6.21).

Section 6.22 Return of Assets; Transfer of Purchased Assets.

(a) If, at any time after the Closing, any asset held by Purchaser or any of its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) is ultimately determined to be an Excluded Asset or an asset of the Purchaser Parent Retained Business, or Purchaser or any of its Subsidiaries is found subject to a Retained Liability, or Purchaser or any of its Subsidiaries is found subject to a Purchaser Parent Retained Liability, within thirty (30) days of such determination (i) Purchaser shall return or transfer and convey (without further consideration) to Seller Parent or the appropriate Affiliate of Seller Parent such Excluded Asset or Retained Liability, or to Purchaser Parent or the appropriate Affiliate of Purchaser Parent (other than Purchaser and its Subsidiaries) such asset of the Purchaser Parent Retained Business or such Purchaser Parent Retained Liability, as applicable; (ii) Seller Parent shall, or shall cause its appropriate Affiliate to, assume (without further consideration) such Retained Liability, or Purchaser Parent shall assume (without further consideration) such Purchaser Parent Retained Liability; and (iii) Seller Parent or Purchaser Parent, as applicable, and Purchaser shall, and shall cause their appropriate Affiliates to, execute such documents or instruments of conveyance or assumption and take such further acts, in each case consistent with the terms of this Agreement and the Ancillary Agreements, as are reasonably necessary or desirable to effect the transfer of such Excluded Asset or Retained Liability back to Seller Parent or its appropriate Affiliate or such asset of the Purchaser Parent Retained Business or Purchaser Parent Retained Liability back to Purchaser Parent, as applicable, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Purchaser and its Affiliates shall, and shall cause the Conveyed Subsidiaries and their Subsidiaries to, promptly pay or deliver (1) to Seller Parent (or its designee) any monies or checks which have been sent to Purchaser or any of its Affiliates (including the Conveyed Subsidiaries and their Subsidiaries) to the extent they are not due to the Business and which should have been sent to Seller Parent or one of its Affiliates (including promptly forwarding invoices or similar documentation to Seller Parent) or (2) to Purchaser Parent

(or its designee other than Purchaser and its Subsidiaries) any monies or checks which have been sent to Purchaser or any of its Subsidiaries to the extent they are not due to the Purchaser Business and which should have been sent to Purchaser Parent or one of its Affiliates (other than Purchaser and its Subsidiaries) (including promptly forwarding invoices or similar documentation to Purchaser Parent).

(b) Subject to Sections 2.1 and 2.2, if, at any time after the Closing, any asset held by Seller Parent or its Affiliates is ultimately determined to be a Purchased Asset or Seller Parent or any of its Affiliates is found to be subject to an Assumed Liability, within thirty (30) days of such determination, (i) Seller Parent shall return or transfer and convey (without further consideration) to Purchaser such Purchased Asset or Assumed Liability; (ii) Purchaser shall, or shall cause its appropriate Affiliate to, assume (without further consideration) such Assumed Liability; and (iii) Seller Parent and Purchaser shall, and shall cause their appropriate Affiliates to, execute such documents or instruments of conveyance or assumption and take such further acts, in each case consistent with the terms of this Agreement and the Ancillary Agreements, as are reasonably necessary or desirable to effect the transfer of such Purchased Asset or Assumed Liability back to Purchaser, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Seller Parent shall promptly pay or deliver to Purchaser (or its designee) any monies or checks which have been sent to Seller Parent or any of its Affiliates to the extent they are due to the Business and which should have been sent to Purchaser or one of its Affiliates (including promptly forwarding invoices or similar documentation to Purchaser).

(c) If any asset, property or right held by Purchaser Parent or any of its Affiliates (other than Purchaser or its Subsidiaries) is determined to be an asset of the Purchaser Business or Purchaser Parent or any of its Affiliates (other than Purchaser and its Subsidiaries) is found subject to a Purchaser Liability, within thirty (30) days of such determination (i) Purchaser Parent shall (or shall cause its Affiliate to) transfer and convey (without consideration) to Purchaser or its appropriate Subsidiary such asset, property or right or Purchaser Liability; (ii) Purchaser shall, or shall cause its appropriate Subsidiary to, assume (without consideration) such Purchaser Liability; and (iii) Purchaser Parent and Purchaser shall, and shall cause their appropriate Subsidiaries to, in each case consistent with the terms of this Agreement and the Ancillary Agreements, execute such documents or instruments of conveyance or assumption and take such further acts as are reasonably necessary or desirable to effect such transfer of such asset, property or right or Purchaser Liability back to Purchaser or its appropriate Subsidiary, in each case such that each Party is put into the same economic position as if such action had been taken on or prior to the Closing Date. In furtherance of the foregoing, Purchaser Parent and its Affiliates (other than Purchaser or its Subsidiaries) shall promptly pay or deliver to Purchaser (or its designee) any monies or checks which have been sent to Purchaser Parent or any of its Affiliates to the extent they are due to the Business or the Purchaser Business and which should have been sent to Purchaser or one of its Subsidiaries (including promptly forwarding invoices or similar documentation to Purchaser).

Section 6.23 Bulk Transfer Laws. Purchaser Parent and Purchaser acknowledge that Seller Parent has not taken, and does not intend to take, any action required to comply with any applicable so-called “bulk sale” or “bulk transfer” Laws or similar Laws, and Purchaser Parent and Purchaser hereby waive, to the fullest extent permitted by applicable Law, compliance by Seller Parent and its Affiliates with the provisions of any such Laws of any jurisdiction in connection with the sale of the Purchased Assets.

Section 6.24 Purchaser Parent Shareholder Meeting; Purchaser Parent Board Recommendation.

(a) Subject to Section 6.24(f) and Section 6.24(g), Purchaser Parent shall, and shall cause its Representatives to, (i) as soon as reasonably practicable, prepare and file with the UKLA the Purchaser Parent Shareholder Circular, which shall comply with the content requirements of the Listing Rules, including Chapter 11 thereof, and applicable Law, and include a notice of general meeting for the purpose of placing the Purchaser Parent Shareholder Approval Resolution before Purchaser Parent's shareholders, and (ii) use reasonable best efforts to finalize the Purchaser Parent Shareholder Circular and have it approved by the UKLA as soon as reasonably practicable after such filing, including by taking all such actions (including supplying undertakings, executing documents and paying fees and expenses) as may be required by the UKLA. As promptly as practicable (and in any event within three (3) Business Days) after UKLA approval of the Purchaser Parent Shareholder Circular, Purchaser Parent shall publish the Purchaser Parent Shareholder Circular and send it to its shareholders and shall, subject to Section 6.24(f) and Section 6.24(g), cause a general meeting of the shareholders of Purchaser Parent for the purpose of obtaining the Purchaser Parent Shareholder Approval (together with any adjournment or postponement thereof, the "Purchaser Parent Shareholder Meeting") to be convened and held on twenty-one (21) clear days' notice (subject to the notice being deemed served in accordance with the Deposit Agreement to enable ADR voting), in each case in compliance with the Listing Rules and applicable Law and Purchaser Parent's constitutional documents, and, subject to Section 6.24(f) and Section 6.24(g), shall propose the Purchaser Parent Shareholder Approval Resolution (without amendment) at the Purchaser Parent Shareholder Meeting.

(b) Seller Parent and its Representatives shall cooperate reasonably and in good faith with Purchaser Parent, and provide, at Purchaser's sole cost and expense, all such information and documentation requested by Purchaser Parent or its Representatives, in each case to the extent reasonably necessary for the purposes of Purchaser Parent's preparation of the Purchaser Parent Shareholder Circular and any supplementary circular thereto, including for the purposes of the preparation of pro forma financial information (and related reporting requirements), if applicable. Seller Parent and its Representatives shall be given a reasonable opportunity to review and comment upon the Purchaser Parent Shareholder Circular (and any supplementary circular thereto) before each such document is filed with the UKLA and is published, and Purchaser Parent shall give reasonable consideration to any additions, deletions or changes reasonably and timely suggested thereto by Seller Parent and its Representatives. In addition, Purchaser Parent shall provide Seller Parent and its Representatives with copies of any written comments, and shall inform them of any material or substantive oral comments, Purchaser Parent or its Representatives may receive from time to time from the UKLA or its staff with respect to the Purchaser Parent Shareholder Circular (and any supplementary circular thereto) promptly after receipt of such comments, and any written or oral responses thereto. Seller Parent and its Representatives shall be given a reasonable opportunity to review and comment upon any such written responses and Purchaser Parent shall

give reasonable consideration to any additions, deletions or changes reasonably suggested thereto by Seller Parent and its Representatives. In the event that Purchaser Parent or its Representatives receives any comments from the UKLA or their staff with respect to the Purchaser Parent Shareholder Circular (or any amendment or supplement thereto), Purchaser Parent and its Representatives shall use reasonable best efforts to respond as promptly as practicable to such comments and shall take such other actions as may be reasonably necessary to resolve the issues raised therein as promptly as practicable, and Seller Parent and its Representatives shall cooperate reasonably and in good faith with Purchaser Parent and its Representatives to the extent reasonably necessary for the purposes of resolving such comments.

(c) Subject to Section 6.24(f) and Section 6.24(g), Purchaser Parent and the Board of Directors of Purchaser Parent shall (i) include the Purchaser Parent Board Recommendation in the Purchaser Parent Shareholder Circular, (ii) use its reasonable best efforts to obtain the Purchaser Parent Shareholder Approval as promptly as practicable, and to the extent any further Purchaser Parent's shareholders' resolution is required to approve the transactions contemplated hereby or by any of the Ancillary Agreements prior to Closing, use its reasonable best efforts to procure that such further shareholder resolution is passed by the requisite vote of Purchaser Parent's shareholders, and (iii) ensure that the Purchaser Parent Shareholder Circular includes a statement that each Director of Purchaser Parent who holds shares in Purchaser Parent intends to vote his or her shares in favor of the Purchaser Parent Shareholder Approval Resolution. Subject to Section 6.24(f) and Section 6.24(g), Purchaser Parent shall not, without the prior written consent of Seller Parent, adjourn, postpone or otherwise delay the Purchaser Parent Shareholder Meeting; provided that Purchaser Parent may adjourn, postpone or otherwise delay the Purchaser Parent Shareholder Meeting (including an adjournment to allow reasonable additional time for the preparation and publication of any supplement or amendment to the Purchaser Parent Shareholder Circular) if required to comply with Purchaser Parent's obligations under the Listing Rules or otherwise by applicable Law, and/or where, and to the extent that, the Board of Directors of Purchaser Parent shall have determined in good faith (after consultation with its legal counsel) that the failure to so adjourn, delay or postpone the Purchaser Parent Shareholder Meeting would be inconsistent with its fiduciary duties under applicable Law. After Purchaser Parent has established a record date for the Purchaser Parent Shareholder Meeting, Purchaser Parent shall not change such record date or establish a different record date for the Purchaser Parent Shareholder Meeting without the prior written consent of Seller Parent, unless (x) required to do so by applicable Law or Purchaser Parent's constitutional documents or (y) as required in connection with any adjournment, postponement or delay of the Purchaser Parent Shareholder Meeting permitted by the immediately preceding sentence (it being understood that Purchaser Parent shall consult with and consider in good faith the reasonable views of Seller Parent in connection with setting such new record date). Without the prior written consent of Seller Parent, the Purchaser Parent Shareholder Approval Resolution shall be the only resolution (other than matters of procedure and matters required by applicable Law or Purchaser Parent's constitutional documents to be voted on by Purchaser Parent's shareholders in connection with the approval of the Sale and the transactions contemplated hereby) that Purchaser Parent shall propose to be acted on by Purchaser Parent's shareholders at the Purchaser Parent Shareholder Meeting.

(d) Purchaser Parent shall notify Seller Parent: (i) on a regular basis after publication of the Purchaser Parent Shareholder Circular and prior to the Purchaser Parent Shareholder Meeting of the proxy votes received in respect of the Purchaser Parent Shareholder Meeting; and (ii) promptly following the Purchaser Parent Shareholder Meeting, of the result of the vote on the resolutions proposed to the Purchaser Parent's shareholders at the Purchaser Parent Shareholder Meeting.

(e) Except as expressly permitted by Section 6.24(f), Purchaser Parent and the Board of Directors of Purchaser Parent (and any committee or other subdivision thereof) shall not, and shall not permit its Representatives to, directly or indirectly, (i) fail to make, withdraw, withhold, change, amend, qualify or modify in a manner adverse to Seller Parent, or publicly propose to fail to make in the Purchaser Parent Shareholder Circular, withdraw, withhold, change, amend, qualify or modify in a manner adverse to Seller Parent, the Purchaser Parent Board Recommendation, (ii) make any public announcement or statement inconsistent with the Purchaser Parent Board Recommendation, (iii) fail to include the Purchaser Parent Board Recommendation in the Purchaser Parent Shareholder Circular (or any supplement or amendment thereto), (iv) recommend in favor of, or fail to recommend against, any matter that could reasonably be expected to result in a Purchaser Adverse Action or a Purchaser Material Adverse Effect or (v) publicly propose to do any of the foregoing (any of the foregoing in this sentence, a "Purchaser Parent Adverse Recommendation Change").

(f) Notwithstanding any other provision of this Section 6.24, at any time prior to obtaining the Purchaser Parent Shareholder Approval, the Board of Directors of Purchaser Parent may effect a Purchaser Parent Adverse Recommendation Change if the Board of Directors of Purchaser Parent shall have determined in good faith (after consultation with its legal counsel) that the failure to effect a Purchaser Parent Adverse Recommendation Change would be inconsistent with its fiduciary duties under applicable Law. Subject always to applicable Law and the fiduciary duties of the Board of Directors of Purchaser Parent under applicable Law, Purchaser Parent shall promptly notify Seller Parent in the event that it intends to effect a Purchaser Parent Adverse Recommendation Change, describing in reasonable detail the underlying facts giving rise to, and the reasons for making, such Purchaser Parent Adverse Recommendation Change and shall provide Seller Parent with a reasonable opportunity to consult with Purchaser Parent in respect of the same.

(g) Notwithstanding anything to the contrary contained in this Agreement, a Purchaser Parent Adverse Recommendation Change pursuant to Section 6.24(f) shall relieve Purchaser Parent of its obligations to convene the Purchaser Parent Shareholder Meeting, to prepare and file the Purchaser Parent Shareholder Circular and have the Purchaser Parent Shareholder Circular approved by the UKLA and publish the Purchaser Parent Shareholder Circular and send it to its shareholders, and to submit the Purchaser Parent Shareholder Approval Resolution to a vote of the holders of ordinary shares of Purchaser Parent at the Purchaser Parent Shareholder Meeting and seek to obtain the Purchaser Parent Shareholder Approval for all purposes of this Agreement.

(h) As required by Listing Rule 11.1.7R(4), Seller Parent shall not, and shall use reasonable efforts to ensure that its associates (as defined in the Listing Rules) do not, vote on any resolution(s) proposed at the Purchaser Parent Shareholder Meeting relating to the Sale and/or other transactions contemplated by this Agreement, in each case to the extent that Seller Parent or any such associate either holds or acquires any shares or other securities in Purchaser Parent.

Section 6.25 Resignations. Seller Parent shall use reasonable best efforts to deliver to Purchaser Parent, at or prior to the Closing, the resignations, effective as of the Closing, of all officers and directors of each Conveyed Subsidiary (and each Subsidiary thereof) who will be officers, directors or employees of Seller Parent or any of its Affiliates after the Closing Date from their positions with such Conveyed Subsidiary (or such Subsidiary thereof).

Section 6.26 Remedial Action Access. In respect of its indemnity obligations under Article VII of this Agreement, each Parent shall have the right, but not the obligation, to conduct and control any relevant Remedial Action. If a Parent opts to conduct a Remedial Action at any Real Property or Purchaser Real Property, the applicable Parent shall use reasonable best efforts to not unreasonably interfere with Purchaser's operations, and the Purchaser Indemnified Parties shall, and shall cause their respective Representatives to, reasonably cooperate with the applicable Parent, including by timely filing any required documents with the appropriate Governmental Authorities, providing reasonable access to and reasonable use of the subject site, employees, documents and on-site structures, infrastructure and utility services (including electricity, underground piping or wastewater or sewer systems) and/or utilities as necessary to perform any required Remedial Action, including reasonable access to install, maintain, replace and operate wells and remove impacted soil and/or groundwater. To the extent required under any Environmental Law, the applicable Purchaser Indemnified Parties shall execute, record, obtain and maintain in good standing any authorization, permit or "generator number" as may be necessary for the proper storage, transportation and/or off-site disposal of any Hazardous Material generated in the course of the Remedial Action. The applicable Purchaser Indemnified Parties shall sign (with respect to the Owned Real Property or the Owned Purchaser Real Property) or use commercially reasonable efforts to cause to be signed (with respect to the Leased Real Property or the Leased Purchaser Real Property) and record (with respect to the Owned Real Property or the Owned Purchaser Real Property) or use commercially reasonable efforts to cause to be recorded (with respect to the Leased Real Property or the Leased Purchaser Real Property) any deed or other recordable real property instrument reasonably requested by the Parent conducting the Remedial Action which is necessary to permit the use of site specific corrective action remedies or remedies based on exposure controls as part of such Remedial Action; provided, however, that the instrument does not unreasonably interfere with the operation of the Facilities or the Purchaser Facilities or materially impact the value of the Real Property or Purchaser Real Property that are the subject of such Remedial Action. The applicable Purchaser Indemnified Parties agree not to use groundwater under any Real Property or Purchaser Real Property, as applicable, to the extent such restriction is necessary to permit the use of site specific corrective action remedies or remedies based on exposure controls as part of such Remedial Action. All reasonable and documented out-of-pocket costs incurred by the applicable Purchaser Indemnified Parties or their respective Representatives cooperating with or otherwise assisting the Parent conducting the Remedial Action pursuant to this Section 6.26 shall be promptly reimbursed by the Parent conducting the Remedial Action.

Section 6.27 Acknowledgements. The Parties acknowledge and agree that certain of the Sellers and the Conveyed Subsidiaries (the "New Subsidiaries") will be established, formed or incorporated, as applicable, following the date of this Agreement and prior to the Closing in connection with the Seller Internal Restructurings, and such New Subsidiaries are therefore not in existence as of the date of this Agreement. Accordingly, the Parties acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, Seller Parent makes no representations and warranties with respect to the organization, good standing, authority, capital structure, operations and Liabilities of any such New Subsidiary as of or prior to the date of each respective New Subsidiary's establishment, formation or incorporation. Seller Parent may at any time prior to the Closing supplement or amend the lists set forth in Section 4.3(b) or Section 4.3(c) of the Seller Disclosure Letter, solely to reflect any changes pursuant to the Seller Internal Restructurings (including any steps Seller Parent shall undertake to effect the Seller Internal Restructurings) made in accordance with (f)(i).

ARTICLE VII

INDEMNIFICATION

Section 7.1 Indemnification by Seller Parent and Purchaser Parent.

(a) Subject to the provisions of this Article VII, from and after the Closing, Seller Parent agrees to indemnify and hold harmless (x) Purchaser and its Subsidiaries (including the Conveyed Subsidiaries and their Subsidiaries) (collectively, the "Purchaser Indemnified Parties") and (y) Purchaser Parent and its Subsidiaries (other than Purchaser and its Subsidiaries) (the "Purchaser Parent Indemnified Parties") from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Purchaser Indemnified Party or Purchaser Parent Indemnified Party suffers or incurs to the extent resulting from (b) any Retained Liability, (c) any breach by any Seller of any of its covenants or agreements contained in this Agreement or in any Ancillary Implementing Agreement or (d) any breach of any representation or warranty of Seller Parent contained in Article IV (other than Section 4.16) or in any Ancillary Implementing Agreement, in each case as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date).

(e) Subject to the provisions of this Article VII, from and after the Closing, Purchaser Parent agrees to indemnify and hold harmless (x) the Purchaser Indemnified Parties and (y) Seller Parent and its Subsidiaries (collectively, the "Seller Parent Indemnified Parties") from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Purchaser Indemnified Party or Seller Parent Indemnified Party suffers or incurs to the extent resulting from (f) any Purchaser Parent Retained Liability, (g) any breach by Purchaser Parent or any of its Affiliates (which shall not include Purchaser or its Subsidiaries with respect to post-Closing covenants or agreements) of any of their respective covenants or agreements contained in this Agreement or in any Ancillary Implementing Agreement or (h) any breach of any representation or warranty of Purchaser Parent contained in Article V (other than Section 5.17) or in any Ancillary Implementing Agreement, in each case as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date).

(i) The Parties acknowledge and agree that indemnification shall not be available with respect to any Loss resulting from a breach of any representation or warranty contained in this Agreement or in any Ancillary Implementing Agreement to the extent (and only to the extent) the Loss (or related Liability) was accrued or reserved for in the Financial Statements or the Purchaser Financial Statements, as applicable, or actually taken into account in the Final Closing Statement or the calculation of the Final Business Working Capital, the Final Business Net Cash, the Final Purchaser Working Capital or the Final Purchaser Net Cash, as applicable.

Section 7.2 Indemnification by Purchaser. Subject to the provisions of this Article VII, from and after the Closing, Purchaser agrees to indemnify and hold harmless the Seller Parent Indemnified Parties and the Purchaser Parent Indemnified Parties (collectively, the "Parent Indemnified Parties") (a) from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) that any such Parent Indemnified Party suffers or incurs to the extent resulting from (i) any Assumed Liability or (ii) any Purchaser Liability and (b) from and against any and all Losses (other than Taxes arising out of a Tax Claim, which are the subject of Section 6.5(d)) any such Parent Indemnified Party suffers or incurs to the extent resulting from any breach following the Closing by Purchaser of any covenant or agreement expressly made by Purchaser in this Agreement or in any Ancillary Implementing Agreement, in its capacity as a Party hereto (and not in its capacity as an Affiliate or Subsidiary of Purchaser Parent), which covenant or agreement by its terms contemplates actions or imposes obligations following the Closing.

Section 7.3 Indemnification Procedures.

(a) Any Person entitled to be indemnified under this Article VII (the "Indemnified Party") shall promptly give written notice to the Party from whom indemnification may be sought (the "Indemnifying Party") and each other Party hereto of any pending or threatened Action against the Indemnified Party that has given or would reasonably be expected to give rise to such right of indemnification with respect to such Action (a "Third Party Claim"), indicating, with reasonable specificity, and based on the facts then known to the Indemnified Party, the nature of such Third Party Claim, the basis therefor, a copy of any documentation received from the third party, the amount and calculation of the Losses for which the Indemnified Party is entitled to indemnification under this Article VII (and a good faith estimate of any such future Losses relating thereto), and the provisions of this Agreement or any Ancillary Implementing Agreement in respect of which such Losses shall have occurred, and the Indemnified Party shall promptly deliver to the Indemnifying Party any information or documentation related to the foregoing reasonably requested by the Indemnifying Party. A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 7.3(a) shall not limit the obligations of the Indemnifying Party under this Article VII, except (i) to the extent such Indemnifying Party is actually prejudiced thereby and (ii) as provided by Section 7.4 (unless, with respect to indemnification pursuant to Section 7.1(b) or Section 7.2, in the case of the foregoing clauses (i) and (ii), Purchaser Parent has Intentionally Breached (or caused Purchaser to Intentionally Breach) its obligations pursuant to the immediately foregoing sentence).

(b) With respect to any Third Party Claim, the Indemnifying Party under this Article VII shall have the right, but not the obligation, to assume the defense, at its own expense and by counsel of its own choosing, of such Third Party Claim and any Third Party Claims related to the same or a substantially similar set of facts; provided that the Indemnifying Party shall not be entitled to assume the defense of such Third Party Claim, and shall pay the reasonable fees and expenses of counsel retained by the Indemnified Party, if such Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or is a criminal Action. If the Indemnifying Party so undertakes to defend any such Third Party Claim, it shall notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the defense against, and settlement of, any such Third Party Claim; provided, however, that the Indemnifying Party shall not settle any such Third Party Claim without the written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed) unless such settlement does not involve any injunctive relief against or any finding or admission of any violation of Law or wrongdoing by the Indemnified Party, and any money damages are borne solely by the Indemnifying Party (other than solely with respect to the Deductible, to the extent such damages would constitute Losses to which such Deductible would be applicable); provided, further, that if the Indemnifying Party is Purchaser, Purchaser shall not settle any such Third Party Claim without the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed). Subject to the foregoing, the Indemnified Party shall have the right to employ separate legal counsel and to participate in but not control the defense of such Action at its own cost and expense; provided that, subject to the provisions of this Article VII, the Indemnifying Party shall bear the reasonable fees of one firm of legal counsel (and one additional firm of legal counsel in each jurisdiction implicated in such Action) representing all Indemnified Parties in such Action and all related Actions, if, but only if, the defendants in such Action include both an Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have reasonably concluded, based on the advice of legal counsel, that there is a conflict of interest between the Indemnifying Party and the Indemnified Party with respect to such Action. In any event, the Indemnified Party shall cause its legal counsel to cooperate with the Indemnifying Party and its legal counsel. No Indemnified Party may settle any Third Party Claim without the written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed) and, if the Indemnified Party is Purchaser, the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed). If the Indemnifying Party does not assume the defense of a Third Party Claim, it shall nevertheless be entitled to participate in the defense of such Action at its own cost and expense, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense against, and settlement of, any such Third Party Claim.

(c) In the event that any Indemnified Party has or may have an indemnification claim against any Indemnifying Party under this Article VII that does not involve a Third Party Claim, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party indicating, with reasonable specificity, and based on the facts then known to the Indemnified Party, the nature of such claim, the basis therefor, the amount and calculation of the Losses for which the Indemnified Party is entitled to indemnification under this Article VII (and a good-faith estimate of any such future Losses relating thereto), and the provisions of this Agreement or any Ancillary Implementing Agreement in respect of which such Losses shall have occurred, and the Indemnified Party shall promptly deliver to the Indemnifying Party any information or documentation related to the foregoing reasonably requested by the Indemnifying Party. A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 7.3(c) shall not limit the obligations of

the Indemnifying Party under this Article VII, except (i) to the extent such Indemnifying Party is actually prejudiced thereby and (ii) as provided by Section 7.4 (unless, with respect to indemnification pursuant to Section 7.1(b) or Section 7.2, in the case of the foregoing clauses (i) and (ii), Purchaser Parent has Intentionally Breached (or caused Purchaser to Intentionally Breach) its obligations pursuant to the immediately foregoing sentence). If the Indemnifying Party disputes its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations within thirty (30) days of the receipt of the notice of such indemnification claim by the Indemnifying Party, such dispute shall be resolved by litigation in the appropriate court of competent jurisdiction set forth in Section 10.10; provided that if the Indemnifying Party or the Indemnified Party is Purchaser, the Indemnifying Parties and the Indemnified Party shall not agree to settle or resolve any such claim with the written consent of both Parents (not to be unreasonably withheld, conditioned or delayed).

Section 7.4 Expiration. If the Closing has occurred, all covenants and agreements made herein or in any Ancillary Implementing Agreement which, in each case, by their terms contemplate actions or impose obligations following the Closing shall survive the Closing and remain in full force and effect in accordance with their terms; provided that, other than indemnification obligations in respect of Taxes (the survival of which shall be governed exclusively by Section 6.5(l)), (a) the obligations of Purchaser to assume, and to indemnify and hold harmless the Seller Parent Indemnified Parties and the Purchaser Parent Indemnified Parties for, the Assumed Liabilities and the Purchaser Liabilities, (b) the obligations of Seller Parent to retain, and indemnify and hold harmless the Purchaser Indemnified Parties and the Purchaser Parent Indemnified Parties for, the Retained Liabilities and (c) the obligations of Purchaser Parent to retain, and indemnify and hold harmless the Purchaser Indemnified Parties and the Seller Parent Indemnified Parties for, the Purchaser Parent Retained Liabilities, shall in each case survive the Closing indefinitely. All other covenants and agreements contained herein or in any Ancillary Implementing Agreement shall survive the Closing and shall terminate and expire on the twelve (12) month anniversary of the Closing Date (other than the covenants and agreements set forth therein which by their terms contemplate actions or impose obligations following the Closing, which shall survive the Closing and remain in full force and effect in accordance with their terms). All representations and warranties made herein or in any Ancillary Implementing Agreement, and all indemnification obligations under Section 7.1 with respect to any such representations or warranties, shall terminate and expire on the fifteen (15) month anniversary of the Closing Date; provided, however, that the Fundamental Seller Parent Representations and the Fundamental Purchaser Parent Representations shall terminate and expire on the three (3) year anniversary of the Closing Date. No Person shall be entitled to indemnification, and no Action seeking to recover Taxes, Losses or other relief shall be commenced or maintained, with respect to any breach of any covenants, agreements, representations or warranties contained in this Agreement or any Ancillary Implementing Agreement after the date on which such covenant, agreement, representation or warranty shall terminate pursuant to this Section 7.4 or Section 6.5(l), unless prior to such termination date a claim for indemnification with respect thereto has been made by written notice in accordance with Section 7.3 (in the case of Losses or other relief) or Section 6.5(d) (in the case of Taxes), in which case such claim for indemnification shall survive until finally resolved in accordance with this Agreement.

Section 7.5 Certain Limitations.

(a) Notwithstanding the other provisions of this Agreement, neither Seller Parent nor Purchaser Parent, as applicable, shall have any indemnification obligations (i) under Section 7.1(a)(iii) or Section 7.1(b)(iii), as applicable, for any Loss (together with any and all other Losses resulting from the same facts or circumstances) that is less than $20,000,000 (the "De Minimis Claim Threshold"), or (ii) under Section 7.1(a)(iii) or Section 7.1(b)(iii) (except with respect to any breach of any Fundamental Seller Parent Representation or Fundamental Purchaser Parent Representation) for any Loss that is equal to or greater than the De Minimis Claim Threshold, unless the aggregate amount of all Losses for which indemnification is available under the applicable provision exceeds $200,000,000 (the "Deductible"), in which event the Indemnifying Party shall be required to pay only the amount of such Losses that exceeds the Deductible but only up to a maximum amount in respect of all such Losses (without giving effect to the Deductible) in the aggregate of $2,000,000,000.

Section 7.6 Losses Net of Insurance, Etc. The amount of any Tax or Loss for which indemnification is provided under Section 6.5(d), Section 7.1 or Section 7.2 shall be net of (i) any amounts recovered by the applicable Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party, and (ii) any insurance proceeds or other cash receipts or sources of reimbursement received with respect to such Tax or Loss, and (iii) in the case of Purchaser Parent as the Indemnifying Party, any amounts recovered by the Purchaser pursuant to the Contribution Agreement, dated as of April 22, 2014, by and among Purchaser Parent, Purchaser and Novartis AG, as amended (the source of any such amounts referred to in clause (i) or (ii), a "Collateral Source"), in each case net of any Taxes imposed or reasonable out-of-pocket costs incurred in connection with the collection of such insurance proceeds, cash receipts or sources of reimbursement. The applicable Indemnified Party shall use its commercially reasonable efforts to seek recovery for such Taxes or Losses from all Collateral Sources. The Indemnifying Party may require an Indemnified Party to assign to the Indemnifying Party the rights to seek recovery from any Collateral Sources (to the extent such rights are capable of assignment); provided that the Indemnifying Party will then be responsible for pursuing such claim at its own expense; provided, further, that the Indemnified Party shall cooperate (at the Indemnifying Party's expense) with the Indemnifying Party to seek such recovery. If the amount to be netted hereunder from any payment required under Section 6.5(d) or this Article VII is determined after payment by the Indemnifying Party of any amount otherwise required to be paid to an Indemnified Party pursuant to Section 6.5(d) or this Article VII, the Indemnified Party shall repay to the Indemnifying Party, promptly after such determination, any amount that the Indemnifying Party would not have had to pay pursuant to Section 6.5(d) or this Article VII had such determination been made at the time of such payment.

Section 7.7 No Right of Set-Off. No Party shall have any right to set off any Taxes or Losses under Section 6.5(d) and this Article VII against any payments to be made by such Party pursuant to this Agreement or any other agreement among the Parties, including any Ancillary Agreement.

Section 7.8 Materiality. For purposes of Tax Claims subject to Section 6.5 and of this Article VII, no effect shall be given to any qualification in the relevant representations and warranties as to "material," "materiality," "Material Adverse Effect" or "Purchaser Material Adverse Effect" for purposes of determining the amount of any Loss suffered or incurred by an Indemnified Party, but all such qualifications shall be given effect for purposes of determining whether there has been a breach or inaccuracy of any representation or warranty.

Section 7.9 Mitigation; Other Limitations.

(a) Each of Seller Parent, Purchaser Parent, Purchaser and each Indemnified Party shall take, and cause its Affiliates to take, all commercially reasonable steps to mitigate any Tax or Loss upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto.

(b) Notwithstanding anything to the contrary contained in this Agreement, the obligations to indemnify under this Agreement, and the amount of any Loss for which indemnification is provided under Section 7.1, shall be subject to the following limitations:

(i) With respect to any Remedial Action, the applicable Indemnifying Party shall only be liable to the extent such Remedial Action is conducted in the Most Cost-Effective Manner. Regardless of whether any Indemnifying Party or any Indemnified Party conducts any such Remedial Action, the applicable Indemnifying Party shall not be responsible for any operation and maintenance with respect to any such institutional or engineering controls subsequent to completion of their initial installation at the applicable Real Property or Purchaser Real Property subject to such Remedial Action, and such post-installation costs shall not be subject to claims for indemnification or reimbursement under this Article VII.

(ii) With respect to any particular Environmental Liability, an Indemnifying Party's obligations for indemnification or reimbursement in respect of such Environmental Liability, shall be deemed satisfied, completed and fully discharged upon the relevant Remediation Completion Date, and the Indemnifying Party shall no longer be responsible for ongoing obligations and Liabilities with respect to such Environmental Liabilities to the extent related to the Real Property (or Facilities thereon) or Purchaser Real Property (or Purchaser Facilities thereon), including the operation and maintenance of any institutional and engineering controls.

(iii) An Indemnifying Party shall not have any indemnification obligations for Losses relating to any Environmental Liabilities to the extent such Losses relate to, result from, or arise out of any (1) exacerbation of an existing condition due to a negligent or intentional act or omission by or on behalf of the Indemnified Party or its Affiliates, (2) environmental investigation, drilling, sampling, testing or monitoring of any soil, surface water or groundwater, by or on behalf of the applicable Indemnified Party or its Affiliates, after the Closing Date (except to the extent required by Environmental Laws or Environmental Permits or a Governmental Authority; conducted in response to facts or conditions potentially indicating a material risk to health or the environment; conducted in connection with defending

against or otherwise responding to a Third Party Claim; conducted to comply with the requirements of any Real Property Lease or Purchaser Real Property Lease; reasonably and independently requested in writing by a third party in connection with a sale, lease, sublease, financing, mortgage or other transaction involving any Real Property, Purchaser Real Property, Facility or Purchaser Facility as part of the third party's normal business practices; or conducted consistent with industry practice in connection with the ordinary course of business and the Indemnified Party's bona fide construction, renovation, demolition, removal, repair or expansion of improvements at any Real Property, Purchaser Real Property, Facility or Purchaser Facility); or (3) decommissioning, closure or voluntary shutdown of any Real Property, Purchaser Real Property, Facility or Purchaser Facility by or on behalf of the Indemnified Party or its Affiliates.

(c) Notwithstanding anything to the contrary contained in this Agreement, in no event shall any Party be entitled to duplicative recovery directly or indirectly for the same Loss, including, in the case of either Parent (or any of their respective Subsidiaries), in their respective capacities as direct or indirect equity holders of Purchaser post-Closing; it being understood that to the extent a Loss is suffered in the applicable Parent's (or any of its respective Subsidiaries') capacity as direct or indirect equity holders of Purchaser post-Closing, the Purchaser Parent Indemnified Parties and the Seller Parent Indemnified Parties, as applicable, shall only be entitled to directly seek indemnification or recover for such Loss under Section 7.1(a)(ii) or Section 7.1(a)(iii) (in the case of the Purchaser Parent Indemnified Parties) or under Section 7.1(b)(ii) or Section 7.1(b)(iii) (in the case of the Seller Parent Indemnified Parties) to the extent such Loss cannot be remedied by means of an indemnification claim or recovery by Purchaser and its Subsidiaries under Section 7.1(a) or Section 7.1(b), respectively.

Section 7.10 Sole Remedy/Waiver. Except with respect to claims seeking specific performance or other equitable relief with respect to covenants or agreements to be performed after the Closing pursuant to this Agreement, and except in the case of fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, the Parties acknowledge and agree that the remedies provided for in Section 2.9, Section 6.5 and this Article VII shall be the Parties' sole and exclusive remedy, from and after the Closing, with respect to the subject matter of this Agreement or any of the Ancillary Implementing Agreements (but not with respect to any claims under the other Ancillary Agreements, which shall be governed by the terms thereof). In furtherance of the foregoing, and except as set forth in the exceptions set forth in the preceding sentence and except as provided in Section 2.9, Section 6.5 and this Article VII, from and after the Closing, the Parties hereby waive, on behalf of themselves and their Affiliates, to the fullest extent permitted by applicable Law, any and all other rights, claims and causes of action (including rights of contribution, if any) known or unknown, foreseen or unforeseen, which exist or may arise in the future, that they may have against the Sellers or any of their Affiliates, or Purchaser Parent or any of its Affiliates (including Purchaser and its Subsidiaries), as the case may be, in connection with the transactions contemplated by this Agreement or any of the Ancillary Implementing Agreements (but not with respect to any rights, claims or causes of action under the other Ancillary Agreements which, in each case, shall be governed by the terms thereof), whether arising under or based upon breach of warranty or contract (including for breach of any representation, warranty, covenant or

agreement), tortious conduct (including negligence), any Law (including any such Law relating to environmental matters (including Environmental Laws) or arising under or based upon any securities Law, common law or otherwise) or otherwise. Each Party shall cause its respective Affiliates party to an Ancillary Implementing Agreement not to assert any claims or causes of action under such Ancillary Implementing Agreement, and all such claims shall be asserted only under this Agreement. Without limiting the generality of the foregoing, in no event shall any Party, its Affiliates, successors or permitted assigns be entitled to claim or seek rescission of the transactions contemplated by this Agreement and the Ancillary Agreements.

Section 7.11 Indemnification Payments. A Party shall not be deemed to have suffered a Loss or Tax with respect to an item to the extent such Party was actually compensated therefor by reason of an increase in the amount otherwise paid to it or a reduction in the amount otherwise paid by it pursuant to Section 2.9.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.1 Conditions to the Obligations of the Parties. The respective obligations of each of the Parties to consummate the Closing shall be subject to the satisfaction or written waiver (to the extent permitted by Law) by Purchaser Parent and Seller Parent, at or prior to the Closing, of each of the following conditions precedent:

(a) There shall not be any Governmental Order in effect issued by a Governmental Authority of competent jurisdiction that enjoins or otherwise prohibits the Closing.

(b) (i) The waiting period required under the HSR Act shall have expired or been terminated and any agreement between Purchaser Parent or Purchaser and a competent Governmental Antitrust Authority in a jurisdiction set forth on Annex C entered into in accordance with this Agreement to delay consummation of the Closing has expired or been terminated; and (i) all other Approvals under Antitrust Laws of the jurisdictions set forth on Annex C required to be obtained for the consummation of the Closing shall have been obtained.

(c) The Purchaser Parent Shareholder Approval shall have been obtained.

Section 8.2 Conditions to the Obligations of Purchaser and Purchaser Parent. The obligation of Purchaser Parent and Purchaser to consummate the Closing shall be subject to the satisfaction, or the written waiver (to the extent permitted by Law) by Purchaser Parent, at or prior to the Closing, of each of the following further conditions precedent:

(a) The representations and warranties of Seller Parent contained in Article IV (other than as set forth in the following two sentences) shall be true and correct (without giving effect to any “material”, “materiality” or “Material Adverse Effect” qualifications set forth therein) as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), except to the extent that failures to be true and correct would not, individually or in the aggregate, have a Material

Adverse Effect. The Fundamental Seller Parent Representations shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date). The representation and warranty of Seller Parent set forth in Section 4.7(a) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date.

(b) Seller Parent shall have performed and complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by Seller Parent on or prior to the Closing Date.

(c) Seller Parent shall have delivered to Purchaser Parent a certificate signed by a duly authorized officer of Seller Parent to the effect that the conditions set forth in Sections 8.2(a) and 8.2(b) have been satisfied.

Section 8.3 Conditions to the Obligations of Seller Parent. The obligation of Seller Parent to consummate the Closing shall be subject to the satisfaction, or the written waiver (to the extent permitted by Law) by Seller Parent, at or prior to the Closing, of each of the following further conditions precedent:

(a) The representations and warranties of Purchaser Parent contained in Article V (other than as set forth in the following two sentences) shall be true and correct (without giving effect to any "material", "materiality" or "Purchaser Material Adverse Effect" qualifications set forth therein) as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), except to the extent that failures to be true and correct would not, individually or in the aggregate, have a Purchaser Material Adverse Effect. The Fundamental Purchaser Parent Representations shall be true and correct in all material respects as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date), other than the representations and warranties of Purchaser Parent contained in Section 5.3(a), which shall be true and correct in all respects, other than *de minimis* inaccuracies (that do not impact the issued share capital of Purchaser following the Closing), as of the Closing Date as though made on the Closing Date (or, in the case of representations and warranties that address matters only as of a particular date, as of such date). The representation and warranty of Purchaser Parent set forth in Section 5.7(a) shall be true and correct in all respects as of the Closing Date as though made on the Closing Date.

(b) Purchaser Parent and Purchaser shall have performed and complied in all material respects with the agreements and covenants required by this Agreement to be performed or complied with by Purchaser Parent or Purchaser on or prior to the Closing Date.

(c) Purchaser Parent shall have delivered to Seller Parent a certificate signed by a duly authorized officer of Purchaser Parent to the effect that the conditions set forth in Sections 8.3(a) and 8.3(b) have been satisfied.

Section 8.4 Frustration of Closing Conditions. Without limiting Purchaser Parent's rights under Section 6.24(f) and Section 6.24(g), no Party may rely as a basis for terminating this Agreement on the failure of any condition set forth in this Article VIII to be satisfied if such failure was caused by such Party's or its Affiliates' failure to act in good faith or to use the efforts required under this Agreement to cause the Closing to occur, including as required in Section 6.3.

ARTICLE IX

TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of Purchaser Parent and Seller Parent;

(b) by either Purchaser Parent or Seller Parent, by giving written notice of such termination to the other Party, if the Closing shall not have occurred on or prior to the close of business (New York time) on September 30, 2019 (as it may be extended below, the "Outside Date"); provided that if the conditions set forth in Sections 8.1(a) (where the relevant Governmental Order arises from or relates to Antitrust Laws) or 8.1(b) shall not have been satisfied or waived by September 30, 2019, then either Purchaser Parent or Seller Parent may extend the Outside Date to the close of business (New York time) on December 31, 2019 by providing written notice thereof to the other Party prior to the initial Outside Date; provided, further, that following such extension if the conditions set forth in Sections 8.1(a) (where the relevant Governmental Order arises from or relates to Antitrust Laws) or 8.1(b) shall not have been satisfied or waived by December 31, 2019, then either Purchaser Parent or Seller Parent may extend the Outside Date to the close of business (New York time) on March 31, 2020 by providing written notice thereof to the other Party prior to the Outside Date as extended pursuant to the immediately preceding proviso; provided, however, that (without limiting Purchaser Parent's rights under Section 6.24(f) and Section 6.24(g)) the right to terminate this Agreement pursuant to this Section 9.1(b) shall not be available to (i) any Party whose action or failure to fulfill any obligation under this Agreement, or, in the case of Purchaser Parent, if the action of Purchaser or failure by Purchaser to fulfill any obligation under this Agreement, has been the cause of, or resulted in, the failure of the Closing to occur on or before such date or (ii) any Party during the pendency of any Action by any other Party for specific performance of this Agreement;

(c) by Purchaser Parent upon written notice to Seller Parent, if there shall have been a material breach of any of the representations, warranties, agreements or covenants set forth in this Agreement on the part of Seller Parent which has rendered the satisfaction of the conditions set forth in Section 8.2(a) or Section 8.2(b) incapable of fulfillment and such breach is incapable of being cured prior to the Outside Date; provided that Purchaser Parent has given written notice to Seller Parent of such breach stating Purchaser Parent's intention to terminate this Agreement pursuant to this Section 9.1(c) and the basis for such termination at least forty-five (45) days prior to such termination; provided, further, that the right to terminate this Agreement under this Section 9.1(c) shall not be available to Purchaser Parent if it or Purchaser has materially breached any representation, warranty, covenant or other agreement contained herein in a manner that has rendered the satisfaction of the conditions set forth in Section 8.3(a) or Section 8.3(b) incapable of fulfillment;

(d) by Seller Parent upon written notice to Purchaser Parent, if there shall have been a material breach of any of the representations, warranties, agreements or covenants set forth in this Agreement on the part of Purchaser Parent or Purchaser which has rendered the satisfaction of the conditions set forth in Section 8.3(a) or Section 8.3(b) incapable of fulfillment and such breach is incapable of being cured prior to the Outside Date; provided that Seller Parent has given written notice to Purchaser Parent of such breach stating Seller Parent's intention to terminate this Agreement pursuant to this Section 9.1(d) and the basis for such termination at least forty-five (45) days prior to such termination; provided, further, that the right to terminate this Agreement under this Section 9.1(d) shall not be available to Seller Parent if it has materially breached any representation, warranty, covenant or other agreement contained herein in a manner that has rendered the satisfaction of the conditions set forth in Section 8.2(a) or Section 8.2(b) incapable of fulfillment;

(e) by either Seller Parent or Purchaser Parent, by giving written notice of such termination to the other Party, if any Governmental Authority of competent jurisdiction shall have issued a Governmental Order permanently enjoining or otherwise prohibiting the Closing and such Governmental Order shall have become final and nonappealable; provided that the right to terminate this Agreement pursuant to this Section 9.1(e) shall not be available to any Party whose action or failure to fulfill any obligation under this Agreement, or, in the case of Purchaser Parent, if the action of Purchaser or failure by Purchaser to fulfill any obligation under this Agreement, has been the cause of, or resulted in, the issuance of such Governmental Order;

(f) by either Seller Parent or Purchaser Parent, by giving written notice of such termination to the other Party, if the Purchaser Parent Shareholder Approval shall not have been obtained at the Purchaser Parent Shareholder Meeting at which a vote on the Sale and the transactions contemplated by this Agreement is taken; or

(g) by Seller Parent upon written notice to Purchaser Parent if there shall have been a Purchaser Parent Adverse Recommendation Change.

Section 9.2 Effect of Termination.

(a) In the event of termination of this Agreement pursuant to Section 9.1, written notice thereof shall forthwith be given to the other Parties, and, except as set forth in this Section 9.2, this Agreement shall terminate and be void and have no effect and the transactions contemplated hereby shall be abandoned, without any liability or obligation on the part of any Party or its respective Affiliates, directors, officers or employees; provided that if such termination shall result from (i) the Intentional Breach by a Party of any representation, warranty, covenant, or agreement in this Agreement, or (ii) fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, such Party shall be fully liable to the other Parties for any and all damages, expenses (including reasonable attorneys' fees and expenses), losses or liabilities of any nature and kind incurred or suffered by the other Parties or their Affiliates as a result of such Intentional Breach or fraud. Notwithstanding the foregoing, nothing shall relieve any Party from reimbursement of the costs and expenses (and, as applicable, indemnification obligations) of any other Party and its Affiliates pursuant to any provision of this Agreement that, by its express terms, requires reimbursement, indemnification or similar obligations by such Party. In the event of termination of this Agreement prior to the Closing pursuant to Section 9.1, the Parties shall, and shall cause their applicable Affiliates to, take all action necessary to terminate any Ancillary Agreements, including any Local Implementing Agreements, entered into as of or prior to such time.

(b) Without limiting Section 9.2(a), in the event of a termination of this Agreement pursuant to (i) Section 9.1(b) (if and only if terminated at a time when the Purchaser Parent Shareholder Approval has not been obtained), (ii) Section 9.1(f) or (iii) Section 9.1(g), Purchaser Parent shall pay to Seller Parent, by way of compensation, $900,000,000 (the "Purchaser Parent Termination Fee") within one (1) Business Day after the date of the termination of this Agreement by Seller Parent and, in the event of a termination by Purchaser Parent, concurrently with, and as a condition precedent to, the termination of this Agreement, by wire transfer of immediately available funds to an account designated in writing by Seller Parent; provided that Purchaser Parent shall not be required to pay the Purchaser Parent Termination Fee on more than one occasion. Purchaser Parent acknowledges that the agreements contained in this Section 9.2(b) are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Seller Parent would not enter into this Agreement. Accordingly, if Purchaser Parent fails promptly to pay any amount due pursuant to this Section 9.2(b), Purchaser Parent shall also pay any reasonable and documented costs, fees and expenses incurred by Seller Parent (including reasonable attorneys' fees) in connection with a legal action to enforce this Agreement that results in a judgment for such amount or any portion thereof against Purchaser Parent or its Affiliates. Any amount not paid when due pursuant to this Section 9.2(b) shall bear interest from the date such amount is due until the date paid at a rate equal to the prime rate as published in *The Wall Street Journal*, *Eastern Edition*, in effect on the date such amount is due, plus three percent (3%). Notwithstanding anything to the contrary in this Agreement, except in the event of (i) an Intentional Breach by Purchaser Parent or Purchaser of any representation, warranty, covenant, or agreement in this Agreement or (ii) Purchaser Parent's or Purchaser's fraud with respect to the representations, warranties, covenants and agreements contained in this Agreement, if this Agreement is terminated in circumstances requiring the payment of the Purchaser Parent Termination Fee to Seller Parent, the payment in full of the Purchaser Parent Termination Fee by Purchaser Parent to Seller Parent, together with any interest, costs, fees or expenses payable, in each case in accordance with this Section 9.2(b), shall be the sole and exclusive remedy of Seller Parent and all of its Affiliates against Purchaser Parent and its Affiliates, and upon such payment, except in the event of such an Intentional Breach or fraud, none of Purchaser Parent or any of its Affiliates shall have any further liability or obligation (whether at law or equity, in contract, in tort or otherwise) to Seller Parent or any of its Affiliates, and their respective directors, officers and employees or other Representatives, relating to or arising out of this Agreement, any Ancillary Agreement or any of the transactions contemplated hereby or thereby.

(c) Notwithstanding the termination of this Agreement, the following Sections of this Agreement shall remain in full force and effect: Section 6.1(b) (Information and Documents), Section 9.1 (Termination), Section 9.2 (Effect of Termination) and Article X (Miscellaneous).

(d) If this Agreement is terminated in accordance with Section 9.1, the Confidentiality Agreement and Clean Team Agreement shall each remain in full force and effect for the term provided for therein; except that Seller Parent and Purchaser Parent agree that the term of the Confidentiality Agreement (including the employee non-solicitation prohibition therein) shall be extended (if a shorter term would otherwise remain) to a period of two (2) years from the date of such termination and this Agreement shall be the requisite mutual written consent amending such Confidentiality Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) when served by personal delivery upon the Party for whom it is intended, (b) one (1) Business Day following the day sent by overnight courier, return receipt requested, (c) when sent by facsimile, provided that the facsimile is promptly confirmed, or (d) when sent by e-mail, provided that a copy of the same notice or other communication sent by e-mail is also sent by overnight courier, return receipt requested, personal delivery, or facsimile as provided herein, on the same day as such e-mail is sent, in each case to the Person at the address, facsimile number or e-mail address set forth below, or such other address, facsimile number or e-mail address as may be designated in writing hereafter, in the same manner, by such Person:

To any Seller:

Pfizer Inc.
235 East 42nd Street
New York, NY 10017
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attn: Edward D. Herlihy
David K. Lam
Jacob A. Kling
E-mail: EDHerlihy@wlrk.com
DKLam@wlrk.com
JAKling@wlrk.com
Fax: (212) 403-2000

To Purchaser Parent or Purchaser:

GlaxoSmithKline Plc
980 Great West Road
Brentford
Middlesex
TW8 9GS
United Kingdom
Attn: General Counsel Consumer Healthcare

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attn: Daniel E. Wolf
Eric L. Schiele, P.C.
Claire E. James
Patrick Jacobs
E-mail: daniel.wolf@kirkland.com
eric.schiele@kirkland.com
claire.james@kirkland.com
patrick.jacobs@kirkland.com
Fax: (212) 446-4900

Section 10.2 Amendment; Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Parties hereto, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 10.3 Assignment. (a) No Party may assign any of its rights or obligations under this Agreement, including by sale of stock, operation of Law in connection with a merger or sale of all or substantially all of the assets of such Party, without the prior written consent of the other Parties.

(a) Notwithstanding the foregoing and subject to Section 6.5(f), Purchaser shall be entitled to designate one or more of its Affiliates that are directly or indirectly wholly owned by Purchaser (each, a "Purchaser Designated Affiliate") to be the purchaser or transferee of some or all of the Shares or the other Purchased Assets and be the entity assuming some or all of the Assumed Liabilities (and to be a counterparty to one or more of the Ancillary Agreements), provided that no such designation (i) shall release Purchaser from its obligations under this Agreement or (ii) would reasonably be expected to restrict or delay consummation of the transactions contemplated hereby or by the Ancillary Agreements in any material respect. Purchaser shall be responsible for and shall pay or reimburse the Sellers for any Taxes and other reasonable out-of-pocket costs and expenses to the extent arising out of or resulting from the substitution of a Purchaser Designated Affiliate

(other than a Purchaser Designated Affiliate organized under the Laws of or Tax resident in the United States or the United Kingdom) for Purchaser as the purchaser or transferee of any of the Shares or the other Purchased Assets, or as the entity assuming some or all of the Assumed Liabilities, or as a counterparty to one or more of the Ancillary Agreements, in accordance with this Section 10.3(b), in each case other than (1) any such Taxes, costs or expenses arising out of or resulting from a substitution requested by a Seller or required by applicable Law or (2) to the extent the applicable Seller is entitled to a refund, credit or offset in respect of such Taxes from any Taxing Authority.

Section 10.4 Entire Agreement. This Agreement (including the Seller Disclosure Letter, the Purchaser Parent Disclosure Letter and all Annexes and Exhibits) contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters, except for (i) the Confidentiality Agreement and the Clean Team Agreement which shall each remain in full force and effect and (ii) the Ancillary Agreements and any other written agreement of the Parties that expressly provides that it is not superseded by this Agreement. In the event of a conflict between the terms of this Agreement and the terms of any Ancillary Agreement, the terms of this Agreement shall control except to the extent expressly provided otherwise in any Ancillary Agreement.

Section 10.5 Parties in Interest. Except with respect to (i) the Purchaser Indemnified Parties, the Purchaser Parent Indemnified Parties and the Seller Parent Indemnified Parties solely with respect to Article VII and (ii) the Persons entitled to indemnification under Section 6.5(d) solely with respect to Section 6.5(d) or, in each case, as expressly set forth herein (including Section 6.21), nothing in this Agreement, express or implied, is intended to confer upon any Person other than Purchaser Parent, Purchaser, the Sellers, or their permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 10.6 Public Disclosure. Notwithstanding anything herein to the contrary, each Party agrees that, except (x) subject to Section 6.24(f) and Section 6.24(g), in making a Purchaser Parent Adverse Recommendation Change or (y) as may be required to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of either of the Parties are listed (in which case the disclosing Party will use its commercially reasonable efforts to (a) advise the other Party before making such disclosure and (b) provide such other Party a reasonable opportunity to review and comment on such release or announcement and consider in good faith any comments with respect thereto), no press release or similar public announcement or communication shall, if prior to the Closing, be made or caused to be made by the Parties or their Affiliates concerning the execution or performance of this Agreement unless the Parties shall have consulted in advance with respect thereto.

Section 10.7 Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses.

Section 10.8 Disclosure Letters; Disclosures Modifying Other Sections of Agreement. The Seller Disclosure Letter and the Purchaser Parent Disclosure Letter, and all schedules attached thereto, and all Annexes and Exhibits attached to this Agreement, shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. Any capitalized terms used in any Annex, Exhibit or Schedule or in the Seller Disclosure Letter or Purchaser Parent Disclosure Letter but not otherwise defined therein shall be defined as set forth in this Agreement. Any information, item or other disclosure set forth in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter, as the case may be, shall be deemed to be disclosed with respect to any other Section of this Agreement (or to have been set forth in any other Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter, as the case may be), if the relevance of such disclosure to such other Section is reasonably apparent on the face of such disclosure notwithstanding the omission of a reference or a cross-reference with respect thereto and notwithstanding any reference to a Section of the Seller Disclosure Letter or Purchaser Parent Disclosure Letter, as applicable, in such Section of this Agreement. The disclosure of any matter in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter shall expressly not be deemed to constitute an admission by any Party, or to otherwise imply, that any such matter is material for purposes of this Agreement.

Section 10.9 No Admission. Nothing in this Agreement, any Ancillary Agreement or in any Section of the Seller Disclosure Letter or the Purchaser Parent Disclosure Letter shall be deemed an admission by any Party or any of their respective Affiliates (including the Conveyed Subsidiaries and their Subsidiaries), in any Action by or on behalf of or with a Governmental Authority or other third party, that any such Party or any of their respective Affiliates, or that such third party or any of its respective Affiliates, is or is not violating or in contravention or breach of or default under, as applicable, any Law, Governmental Authorization, Contract or Intellectual Property of any other Person.

Section 10.10 Governing Law; Jurisdiction.

(a) This Agreement (and any claim or controversy arising out of or relating to this Agreement) shall be exclusively governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules of such state.

(b) Any Action relating to this Agreement, or the transactions contemplated hereby, shall be brought exclusively in the U.S. District Court for the Southern District of New York or, if for any reason the U.S. District Court for the Southern District of New York lacks subject matter jurisdiction, any New York State court sitting in New York City, and each Party irrevocably (i) agrees and consents to be subject to the jurisdiction of the U.S. District Court for the Southern District of New York or, if for any reason the U.S. District Court for the Southern District of New York lacks subject matter jurisdiction, any New York State court sitting in New York City and (ii) waives any objection which it may have at any time to the laying of venue of such Action brought in any such court, waives any claim that such Action has been brought in an inconvenient forum and further waives the right to object, with respect to such Action, that such court does not have any jurisdiction over such Party. Each of Purchaser Parent and Purchaser hereby irrevocably designates, appoints and empowers GSK plc, with offices located at 980 Great West Road, Brentford Middlesex TW8 9GS, England, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf service of any legal process, summons notices and documents

which may be served in any such Action. If for any reason GSK plc is unable or unwilling to continue to act as such designee, appointee and agent, each of Purchaser Parent and Purchaser agrees to immediately appoint a successor designee, appointee and agent in New York City acceptable to Seller Parent. THE PARTIES HEREBY AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH ANY SUCH ACTION IN THE MANNER PROVIDED IN SECTION 10.1, OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW, SHALL BE VALID AND SUFFICIENT SERVICE THEREOF AND HEREBY WAIVE ANY OBJECTIONS TO SERVICE ACCOMPLISHED IN THE MANNER HEREIN PROVIDED.

(c) THE PARTIES AGREE THAT THEY HEREBY IRREVOCABLY WAIVE AND AGREE TO CAUSE THEIR RESPECTIVE AFFILIATES TO WAIVE, THE RIGHT TO TRIAL BY JURY IN ANY ACTION TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT.

Section 10.11 Counterparts. This Agreement may be executed in counterparts (including by facsimile or electronic .pdf submission), each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy or otherwise) to the other Parties, it being understood that all Parties need not sign the same counterpart.

Section 10.12 Headings. The heading references herein and the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 10.13 Severability. The provisions of this Agreement shall be deemed severable and the invalidity, illegality or unenforceability of any provision shall not affect the validity, legality or enforceability of the other provisions hereof. If any term or other provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid, illegal or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid, legal and enforceable, the intent and purpose of such invalid, illegal or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity, illegality or unenforceability, nor shall such invalidity, illegality or unenforceability affect the validity, legality or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 10.14 Rules of Construction. The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the negotiation and drafting of this Agreement and, therefore, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

Section 10.15 Specific Performance. The Parties acknowledge and agree that irreparable harm would occur and that the Parties would not have any adequate remedy at Law (i) for any actual or threatened breach of the provisions of this Agreement or (ii) in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms.

It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to specifically enforce the terms and provisions of this Agreement (including Section 6.3) and any other agreement or instrument executed in connection herewith, without proof of actual damages, and each Party further agrees to waive any requirement for the securing or posting of any bond in connection with such remedy. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at Law or that any award of specific performance is not an appropriate remedy for any reason at Law or in equity. The Parties further agree that (x) by seeking the remedies provided for in this Section 10.15, a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement, including monetary damages (or the right to reimbursement of its costs and expenses relating to any enforcement actions hereunder) and (y) nothing contained in this Section 10.15 shall require any Party to institute any proceeding for (or limit any Party's right to institute any proceeding for) specific performance under this Section 10.15 before exercising any termination right under Section 9.1 (and pursuing damages after such termination) nor shall the commencement of any action pursuant to this Section 10.15 or anything contained in this Section 10.15 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Section 9.1 or pursue any other remedies under this Agreement that may be available then or thereafter. Notwithstanding the foregoing, under no circumstances shall any Seller be permitted to receive both (1) a grant of specific performance to require Purchaser or Purchaser Parent to consummate, and that results in the consummation of, the Closing and (2) payment of the Purchaser Parent Termination Fee.

Section 10.16 Affiliate Status. To the extent that a Party is required hereunder to take certain action with respect to entities designated in this Agreement as such Party's Affiliates, such obligation shall apply to such entities only during such period of time that such entities are Affiliates of such Party. To the extent that this Agreement or any Ancillary Agreement requires an Affiliate of any Party to take or omit to take any action, such agreement and obligation includes the obligation of such Party to cause such Affiliate to take or omit to take such action.

Section 10.17 Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privilege.

(a) Each of Purchaser Parent and Purchaser waives and will not assert, and agrees to cause its Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, to waive and not assert, any conflict of interest arising out of or relating to the representation, after the Closing (the "Seller Post-Closing Representation"), of Seller Parent or any of its Affiliates, or any shareholder, officer, employee or director of Seller Parent or any of its Affiliates (any such Person, a "Seller Designated Person") in any matter involving this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, by any legal counsel currently representing any Seller Designated Person in connection with this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, including Wachtell, Lipton, Rosen & Katz (any such representation, the "Seller Current Representation").

(b) Seller Parent waives and will not assert, and agrees to cause its Affiliates to waive and not assert, any conflict of interest arising out of or relating to the representation, after the Closing (the "Purchaser Post-Closing Representation"), of Purchaser Parent or Purchaser or any of their Affiliates or any shareholder, officer, employee or director of Purchaser Parent, Purchaser or any of their Affiliates (any such Person, a "Purchaser Designated Person") in any matter involving this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, by any legal counsel currently representing any Purchaser Designated Person in connection with this Agreement, the Ancillary Agreements or any other agreements or transactions contemplated hereby or thereby, including Kirkland & Ellis LLP and Slaughter and May (any such representation, the "Purchaser Current Representation").

(c) Each of Purchaser Parent and Purchaser waives and will not assert, and agrees to cause its Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, to waive and not assert, any attorney-client or other applicable legal privilege or protection with respect to any communication between any legal counsel and any Seller Designated Person occurring during the Seller Current Representation (the "Seller Privileged Communications") or in connection with any Seller Post-Closing Representation, including in connection with a dispute with Purchaser Parent or Purchaser or its Affiliates (including, following the Closing, any Conveyed Subsidiary or any of their Subsidiaries), including in respect of any claim for indemnification hereunder by a Purchaser Indemnified Party or a Purchaser Parent Indemnified Party, it being the intention of the Parties that all such rights to such attorney-client and other applicable legal privilege or protection and to control such attorney-client and other applicable legal privilege or protection shall be retained by the Sellers and their Affiliates and that the Sellers, and not Purchaser Parent, Purchaser or their Affiliates or the Conveyed Subsidiaries and their Subsidiaries, shall have the sole right to decide whether or not to waive any attorney-client or other applicable legal privilege or protection. Accordingly, from and after Closing, none of Purchaser Parent, Purchaser or their Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, shall have any access to any such communications or to the files of the Seller Current Representation, all of which shall be and remain the property of the Sellers and not of Purchaser Parent, Purchaser or their Affiliates, including the Conveyed Subsidiaries and their Subsidiaries, or to internal counsel relating to such engagement, and none of Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, or any Person acting or purporting to act on their behalf shall seek to obtain the same by any process on the grounds that the privilege and protection attaching to such communications and files belongs to Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, or does not belong to the Sellers. Notwithstanding the foregoing, in the event that a dispute arises between Purchaser Parent, Purchaser or their Affiliates, including, following the Closing, the Conveyed Subsidiaries and their Subsidiaries, on the one hand, and a third party other than the Sellers or their Affiliates, on the other hand, Sellers shall not disclose any such Seller Privileged Communications to such third party without the prior written consent of Purchaser unless required to do so by applicable Law or Governmental Order.

(d) Seller Parent waives and will not assert, and agrees to cause its Affiliates, to waive and not assert, any attorney-client or other applicable legal privilege or protection with respect to any communication between any legal counsel and any Purchaser Designated Person occurring during the Purchaser Current Representation (the "Purchaser Privileged Communications") or in connection with any Purchaser Post-Closing Representation, including in connection with a dispute with Seller Parent or its Affiliates, including in respect of any claim for indemnification hereunder by a Seller Parent Indemnified Party, it being the intention of the Parties that all such rights to such attorney-client and other applicable legal privilege or protection and to control such attorney-client and other applicable legal privilege or protection shall be retained by Purchaser Parent and its Affiliates (other than Purchaser) and that Purchaser Parent, and not Seller Parent or Purchaser, shall have the sole right to decide whether or not to waive any attorney-client or other applicable legal privilege or protection. Accordingly, from and after Closing, none of Seller Parent or Purchaser shall have any access to any such communications or to the files of the Purchaser Current Representation, all of which shall be and remain the property of Purchaser Parent and not of Seller Parent or its Affiliates or Purchaser or its Subsidiaries or to internal counsel relating to such engagement, and none of Seller Parent or its Affiliates or Purchaser or its Subsidiaries or any Person acting or purporting to act on their behalf shall seek to obtain the same by any process on the grounds that the privilege and protection attaching to such communications and files belongs to Seller Parent or its Affiliates or Purchaser or its Subsidiaries or does not belong to the Purchaser Parent. Notwithstanding the foregoing, in the event that a dispute arises between Seller Parent or its Affiliates, on the one hand, and a third party other than Purchaser Parent, Purchaser or their Affiliates, on the other hand, Purchaser Parent shall not disclose any such Purchaser Privileged Communications to such third party without the prior written consent of Seller Parent unless required to do so by applicable Law or Governmental Order.

Section 10.18 Translation of Currencies. Unless otherwise agreed in writing by Seller Parent and Purchaser Parent, all payments to be made under or pursuant to this Agreement shall be made in Pound sterling. Except with respect to the determinations set forth in the following sentence, and except to the extent otherwise provided in the Accounting Principles or Purchaser Accounting Principles with respect to the determinations of amounts included in the calculations of Business Working Capital, Business Net Cash, Purchaser Working Capital or Purchaser Net Cash, as applicable, in the event that the Parties need to convert currencies under this Agreement, the relevant exchange rate shall be determined based on the Bloomberg BFIX rate in effect as of 5:00 p.m. (New York time) two (2) Business Days preceding the applicable determination date as published on Bloomberg.com. In the event that any Person needs to convert currencies for purposes of calculating the amount of any claim under Section 6.5(d) or Article VII, the relevant exchange rate shall be determined based on the Bloomberg BFIX rate in effect as of 5:00 pm (New York time) two (2) Business Days preceding the date of the written notice given for such claim under Section 6.5(d) or under Section 7.3, as applicable, as published on Bloomberg.com.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the date first written above.

PFIZER INC.

By: /s/ Albert Bourla
Name: Albert Bourla
Title: Chief Operating Officer

GLAXOSMITHKLINE PLC

By: /s/ Simon Dingemans
Name: Simon Dingemans
Title: Chief Finance Officer

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

By: /s/ Simon Dingemans
Name: Simon Dingemans
Title: Director

Exhibit 12.1

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Emma Walmsley, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 15, 2019

/s/ Emma Walmsley
Emma Walmsley
Chief Executive Officer

Exhibit 12.2

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Simon Dingemans, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 15, 2019

/s/ Simon Dingemans

Mr Simon Dingemans
Chief Financial Officer

Exhibit 13.1

Section 906 Certificate

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States **Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of GlaxoSmithKline plc, a public limited company incorporated under English law (the "company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2018 (the "Form 20-F") of the company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: March 15, 2019

/s/ Emma Walmsley
Emma Walmsley
Chief Executive Officer

Date: March 15, 2019

/s/ Simon Dingemans
Mr Simon Dingemans
Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms F-3 (Nos. 333-223982, 333-223982-01, 333-223982-02, 333-217125, 333-217125-01 and 333-217125-02) of GlaxoSmithKline plc, GlaxoSmithKline Capital Inc. and GlaxoSmithKline Capital plc and Forms S-8 (No. 333-88966, 333-100388 and 333-162702) of GlaxoSmithKline plc of our report dated 16 March 2018 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
15 March 2019

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-223982, 333-223982-01, 333-22982-02, 333-217125, 333-217125-01 and 333-217125-02 on Form F-3 of GlaxoSmithKline plc, GlaxoSmithKline Capital Inc. and GlaxoSmithKline Capital plc and Registration Statements Nos. 333-88966, 333-100388 and 333-162702 on Form S-8 of GlaxoSmithKline plc, of our reports dated 15 March 2019, relating to the consolidated financial statements of GlaxoSmithKline plc and subsidiaries as at December 31, 2018 and for the year then ended and the effectiveness of GlaxoSmithKline plc and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 20-F of GlaxoSmithKline plc for the year ended 31 December 2018.

/s/ Deloitte LLP
London, United Kingdom
15 March 2019

Exhibit 15.3

Annual Report 2018

Contents

Cautionary statement
See the inside back cover of this document for the cautionary statement regarding forward-looking statements.

Non-financial information statement

The following aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Description of the business model

GSK at glance 01
Our business model 12

Social matters

Global health 25
Health security 26
Affordability and availability 26

Employees

Employee engagement 28
Diversity 28
Wellbeing and development 29
Gender pay gap 28
Living our values and expectations 30

Human rights

Human rights 31
Data and engagement 31
Third parties 31

Anti-corruption and bribery

Living our values and expectations 30
Reporting and investigating concerns 30
Anti-bribery and corruption 30

Environmental matters

Carbon, water and waste 32

Policy, due diligence and outcomes

Summary of our principal risks 34
Principal risks and uncertainties 241
Viability statement 44
Audit & Risk Committee report 79

Our policies

All of our public policies, codes and standards are available on gsk.com

Board diversity 28

Non-IFRS measures

We use a number of adjusted, non-IFRS, measures to report the performance of our business. Total reported results represent the Group's overall performance under IFRS. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined on pages 40 to 42 and reconciliations to the nearest IFRS measures are on pages 51 and 56.

We believe that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK at a glance

We are a science-led global healthcare company. Our purpose is to help people do more, feel better, live longer.

We have three global businesses that discover, develop and manufacture innovative pharmaceutical medicines, vaccines and consumer healthcare products. Every day, millions of patients and consumers across the world use our products. In 2018, we delivered around 2.3 billion packs of medicine, 770 million vaccine doses and 3.8 billion consumer healthcare products.

In 2018, our turnover was £30.8 billion, up 2% at actual exchange rates (AER), 5% at constant exchange rates (CER). The US is our largest single commercial market, representing 39% of revenue, followed by International at 35% and Europe at 26%.

Our 95,490 employees across the world are driven by our purpose and our goal to become one of the world's most innovative, best-performing and trusted healthcare companies.

Our strategy is to bring differentiated, high-quality and needed healthcare products to as many people as possible, with our three global businesses, scientific and technical know-how and talented people.

We are a science-led healthcare company. In 2018, we invested £3.9 billion in R&D and announced a new approach to our R&D focusing on science related to the immune system, human genetics and advanced technologies.

Our three long-term priorities of Innovation, Performance and Trust are designed to create long-term value for patients, consumers and shareholders. Our values – patient focus, transparency, respect and integrity – and our expectations – courage, accountability, development and teamwork – define our culture.

Pharmaceuticals

Our Pharmaceuticals business has a broad portfolio of innovative and established medicines, with leadership positions in respiratory and HIV. We are strengthening our pipeline through a focus on immunology, human genetics and advanced technologies to help us identify the most promising new medicines.

Vaccines

We are the leading Vaccines company in the world, delivering over 2 million vaccine doses every day to people living in 158 countries. Our portfolio and pipeline help protect individuals throughout their lives. We have recently introduced breakthrough vaccines *Shingrix* for shingles and *Bexsero*, the first vaccine for meningitis B.

Consumer Healthcare

Our Consumer Healthcare business develops and markets a portfolio of globally recognised consumer-preferred and expert-recommended brands in the oral health, pain relief, respiratory, skin health, nutrition and digestive health categories. These category-leading brands include *Sensodyne, parodontax, Poligrip, Voltaren, Panadol, Otrivin and Theraflu.*

Read more on page 13

Turnover	£m
Respiratory	6,928
HIV	4,722
Immuno-inflammation	472
Established Pharmaceuticals	5,147
Total	17,269

Read more on page 18

Turnover	£m
Meningitis	881
Influenza	523
Shingles	784
Established vaccines	3,706
Total	5,894

Read more on page 21

Turnover	£m
Wellness	3,940
Oral health	2,496
Nutrition	643
Skin health	579
Total	7,658

Chairman's statement

I am pleased to report that 2018 was a year of good financial performance for GSK with improvements in sales, earnings and, particularly, cash flow generation. The delivery against operating targets was excellent, with notably successful launches of new products. It was also a year in which the strategic shape of GSK in the coming years has been redefined.

Research & development

Success in R&D will always be fundamental to shareholder returns. A renewed focus on R&D was set out by Emma Walmsley when she became CEO in 2017, and a new plan to improve the pipeline of new medicines has now been launched by Dr Hal Barron, our new Chief Scientific Officer.

Progress is most evident in oncology, with some promising assets in our own laboratories. We have also acquired Tesaro, an oncology focused biotechnology company based in Boston, which has a marketed oncology product and several pipeline assets with development potential. Even more recently, we have proposed an alliance with Merck KGaA, Darmstadt, Germany to develop a promising new oncology medicine.

Through the Board Science Committee, the Directors continue to engage closely with the executives on the actions being taken to improve scientific innovation. A focus on world-class innovation is essential to drive long-term value for investors.

Future direction

In addition to increasing investment in Pharmaceuticals, we also took steps to strengthen the Consumer Healthcare business in 2018. The first step was the buyout of the put option held by Novartis in respect of their minority stake in GSK Consumer Healthcare, which was completed in June. The second step was the announcement in December to create a new Consumer Healthcare Joint Venture with Pfizer.

This latter transaction offers the opportunity to create substantial value for shareholders through a new world-leading Consumer Healthcare business and has a significant bearing on the future shape of the Group. This transaction would transform the scale of GSK's Consumer Healthcare business and therefore the Board has stated that GSK intends to separate the Joint Venture within three years of the completion of the transaction. This sets out a path for GSK to create two focused new companies, with separate listings and appropriate capital structures. Each business will be well positioned to deliver attractive returns to shareholders and benefits to patients and consumers.

The Board fully supports the proposed transaction with Pfizer and is seeking approval from shareholders at a General Meeting which will be held immediately after this coming Annual General Meeting. A separate Circular recommending the transaction will be made available to shareholders prior to the Annual General Meeting.

Capital allocation

Improving GSK's pipeline of new medicines remains the first priority for investment. We also continue to invest behind key products, including increasing the manufacturing capacity of *Shingrix*, GSK's very successful new vaccine to help prevent shingles.

Dividend payments form part of the Group's capital allocation framework and the Board recognises the importance of dividends to shareholders. Total dividends of 80p per share were paid in 2018 and for the first time in several years the cash flow has covered the dividend payments. The same level of dividend is expected in 2019.

Cash generation should remain a key focus given the marked increase in net debt, most of which arose from taking full control of the Consumer Healthcare business.

Financial reporting

I have noted before that commercial structures and reporting requirements sometimes lead to more complexity in reporting than we would like. We continue to evolve our financial reporting and over the course of 2018 we made further changes to give greater prominence to Total results, which represent the Group's overall performance experienced by shareholders. The company is committed to continuous improvement in this area in line with evolving regulatory requirements and best practice.

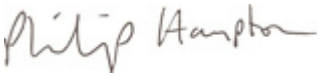
Succession

In 2018, we announced that Simon Dingemans would step down as Chief Financial Officer at this coming AGM after more than 8 years with GSK. I would like to thank him for his service to GSK. Succeeding Simon is Iain Mackay, formerly Group Finance Director for HSBC, who we welcomed to the Board in January 2019.

This will be my last Annual Report as Chairman, following my decision at the start of the year to step down from the Board. GSK is one of the world's great businesses and it has been an enormous privilege to serve as its Chairman.

Under Emma's leadership, GSK has made very good progress. With the announcement of the intended separation in a few years' time, I believe this is the right moment to step down and allow a new Chair to oversee this process through to its conclusion. Our Senior Independent Director, Vindi Banga, is leading the search to appoint my successor.

I would like to thank all of GSK's employees and partners for their hard work throughout 2018, and our shareholders and customers for their continued support.



Philip Hampton
Chairman

CEO's statement

In 2018, GSK made significant progress against our long-term priorities of Innovation, Performance and Trust, underpinned by a continuing shift in culture.

We delivered improved operating performance, started to strengthen our Pharmaceuticals pipeline, particularly in oncology, and undertook several significant transactions to support our strategy and reshape the Group's portfolio. Our focus for 2019 will be sustained delivery of this progress and, in particular, continued development of the pipeline.

2018 performance

Group sales were £30.8 billion, up 2% at actual exchange rates (AER) and up 5% at constant exchange rates (CER). Sales growth was driven by new products. The standout continues to be *Shingrix*, our vaccine for shingles, which had sales of £784 million – a remarkable launch year for the vaccine. Our HIV medicines also continued to grow with sales of £4.4 billion for our dolutegravir-based products. And in respiratory we continued to build our new portfolio with sales of £2.6 billion, including good performances from *Trelegy Ellipta* – our new three-in-one medicine for chronic obstructive pulmonary disease (COPD) – and *Nucala*, our biologic medicine for severe asthma.

Total Group operating margin was 17.8%, up 4.3 percentage points AER and 5.0 percentage points CER. Adjusted Group operating margin was 28.4%, flat AER and up 0.5 percentage points CER. Total earnings per share more than doubled to 73.7p AER and CER, and Adjusted earnings per share were up 7% AER, 12% CER at 119.4p.

We remain focused on controlling costs and cash generation and I was very pleased that free cash flow was significantly improved at £5.7 billion, up 63% in actual terms compared with 2017. We delivered on our expectation of paying an 80p per share dividend in 2018 and expect to pay 80p per share in 2019.

Strengthening the pipeline

I have consistently said our key priority is to strengthen the Pharmaceuticals pipeline to develop the next generation of medicines for patients, and 2018 demonstrated good progress against this objective, particularly in oncology. By advancing key internal assets as well as targeted business development, we will have 16[1] oncology assets in clinical development – double the number we had at the start of 2018. Our acquisition of Tesaro added a major new product to our portfolio, *Zejula*, which is approved for use in ovarian cancer and we see strong development prospects for this product and the other assets acquired in this transaction. We are pleased that we will be adding to our portfolio with our proposed global alliance with Merck KGaA, Darmstadt, Germany to co-develop and co-commercialise a novel immunotherapy asset.

In 2019, we expect major data readouts and other significant newsflow on several new medicines. We expect pivotal data from three oncology assets which all have potential to be launched in the

Expected proceeds from the disposal will be used to reduce debt and increase our investment flexibility.

In December, we also announced the formation of a Consumer Healthcare JV with Pfizer. When completed, this would create a new global leader in Consumer Healthcare. The proposed transaction also supports our key priority to strengthen the Pharmaceuticals business by increasing cash flows. And with our intention to separate we have set a clear direction for the Group with the ultimate aim of creating two exceptional UK-based, global companies. One, a Pharmaceuticals/Vaccines company, with an R&D approach focused on science related to the immune system, human genetics and advanced technologies. The other, a new world-leading Consumer Healthcare company.

Building Trust

Trust is the third long-term priority I set out alongside Innovation and Performance and is vitally important to me and all employees at GSK. In 2018, we set out new commitments to build Trust with a strong focus on three principal areas: using our science and technology to address health needs, making our products more affordable and available, and being a modern employer.

We are committed to providing access to our medicines and vaccines across the world, and I was pleased that we once again topped the Access to Medicines Index. I was also delighted to see the approval of tafenoquine for *P. vivax* malaria and the encouraging data we published on our potential vaccine for tuberculosis (TB), which remains the leading cause of death through infectious disease worldwide.

We also continue to drive a necessary shift in culture towards one that is focused on performance and based on living our values (patient focus, transparency, respect and integrity) and expectations (courage, accountability, development and teamwork). Employee engagement is key to the progress we are making here, and our people are encouraged to share their views and ideas on key topics through regular conversations hosted by our leaders, including myself and my executive team.

2019 will be an important year for GSK as we continue to strengthen our Pharmaceuticals pipeline, execute on our announced transactions, and sustain improved operating performance, particularly as we navigate the introduction of generic *Advair* in the US, for which we have anticipated and prepared. We will remain vigilant in what is a dynamic operating environment and continue to invest in our long-term priorities, so that we can bring benefits to the patients and consumers that we serve.

Finally, I want to sincerely thank all of our customers, suppliers, investors and employees for their support and hard work in 2018 and I look forward to our continued partnership for an exciting year ahead.

next two years. We also expect an approval decision from the US Food & Drug Administration (FDA) for dolutegravir + lamivudine and FDA filings for two other new medicines in HIV, a phase III start for a new treatment for rheumatoid arthritis, and results of a pivotal respiratory study to support filing of *Trelegy Ellipta* for use in asthma.

Accelerating our strategy and reshaping our business

In line with our capital allocation priorities, through 2018 we undertook a series of transactions to accelerate our strategy and reshape our business. In June, we acquired full ownership of our Consumer Healthcare business by buying out Novartis' minority stake, and in December we reached agreement with Unilever to divest *Horlicks* and other consumer nutrition products.

Emma Walmsley
Chief Executive Officer

1 Includes M7824, the subject of the proposed alliance with Merck KGaA, Darmstadt, Germany, expected to close in Q1 2019.

Financial performance

Total results

	2018		2017		Growth	
	£m	% of turnover	£m	% of turnover	£%	CER%
Turnover	**30,821**	**100**	30,186	100	2	5
Cost of sales	**(10,241)**	**(33.2)**	(10,342)	(34.3)	(1)	–
Gross profit	**20,580**	**66.8**	19,844	65.7	4	7
Selling, general and administration	**(9,915)**	**(32.2)**	(9,672)	(32.0)	3	5
Research and development	**(3,893)**	**(12.6)**	(4,476)	(14.8)	(13)	(12)
Royalty income	**299**	**1.0**	356	1.1	(16)	(17)
Other operating income/(expense)	**(1,588)**	**(5.2)**	(1,965)	(6.5)		
Operating profit	**5,483**	**17.8**	4,087	13.5	34	43
Net finance costs	**(717)**		(669)			
Profit on disposal of interest in associates	**3**		94			
Share of after tax profits of associates and joint ventures	**31**		13			
Profit before taxation	**4,800**		3,525		36	46
Taxation	**(754)**		(1,356)			
Tax rate	***15.7%***		*38.5%*			
Profit after taxation	**4,046**		2,169		87	100
Profit attributable to non-controlling interests	**423**		637			
Profit attributable to shareholders	**3,623**		1,532			
Earnings per share	**73.7p**		31.4p		>100	>100

How we performed

Cost of sales

Cost of sales as a percentage of turnover was 33.2%, down 1.0 percentage points AER and 1.4 percentage points CER. This primarily reflected a favourable comparison with the write-downs of assets in 2017 related to the decision to withdraw *Tanzeum*, together with a more favourable product mix in Vaccines and Consumer Healthcare.

Selling, general and administration

SG&A costs as a percentage of turnover were 32.2%, up 0.1 percentage points at both AER and CER. The increase primarily reflected higher restructuring costs and investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

R&D expenditure was £3,893 million (12.6% of turnover), 13% AER, 12% CER lower than in 2017. The reduction reflected lower restructuring costs primarily due to the comparison with the provision for obligations in 2017 as a result of the decision to withdraw *Tanzeum*. In addition, there were lower intangible asset impairments and a favourable comparison with the impact of the Priority Review Voucher purchased and utilised in 2017.

Other operating income/(expense)

Other operating expense primarily reflected accounting charges arising from the remeasurements of the contingent consideration liability related to the acquisition of the former Shionogi-ViiV Healthcare joint venture and the Consumer Healthcare Joint Venture put option previously held by Novartis, partly offset by the profit on a number of asset disposals.

Operating profit

Total operating profit was £5,483 million in 2018 compared with £4,087 million in 2017. The increase primarily reflected a favourable comparison with charges in 2017 arising from the impact of US tax reform on the valuations of the Consumer Healthcare and HIV businesses and reduced asset impairments and restructuring costs in cost of sales and R&D.

Tax

The charge of £754 million represented an effective tax rate on Total results of 15.7% (2017 – 38.5%) and reflected the different tax effects of the various Adjusting items. The reduction in the effective tax rate was driven primarily by a favourable comparison with the impact of US tax reform, which resulted in a number of charges in 2017.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £423 million (2017 – £637 million). The reduction was primarily due to the lower allocation of Consumer Healthcare profits following the buyout of Novartis' interest.

Earnings per share

Total earnings per share was 73.7p, compared with 31.4p in 2017.

Total and Adjusted results

Total reported results represent the Group's overall performance.

GSK uses a number of Adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. See page 40 for a fuller definition.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

GSK has undertaken a number of Major restructuring programmes in recent years in response to significant changes in the Group's trading environment or overall strategy, or following material acquisitions, including the Novartis transaction in 2015. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a Major restructuring programme.

GSK is committed to continuously improving its financial reporting, in line with evolving regulatory requirements and best practice and has made a number of changes in recent years. In line with this practice, GSK expects in 2019 to continue to review its reporting framework (including, where relevant, the use of alternative performance measures).

Adjusting items	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	30,821						30,821
Cost of sales	(10,241)	536	69	443	15	–	(9,178)
Gross profit	20,580	536	69	443	15	–	21,643
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Royalty income	299						299
Other operating income/(expense)	(1,588)			2	1,864	(278)	–
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	–
Share of after tax profits of associates and joint ventures	31						31
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)
Tax rate	*15.7%*						*19.0%*
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Profit attributable to non-controlling interests	423				251		674
Profit attributable to shareholders	3,623	471	97	643	1,484	(449)	5,869
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p

Adjusting items

Intangible asset amortisation and impairment

Amortisation and impairment of intangible assets excludes computer software and goodwill.

Major restructuring

Major restructuring costs, which include impairments of tangible assets and computer software (under specific Board-approved programmes that are structural, of a significant scale and where the costs of individual or related projects exceed £25 million), including integration costs following material acquisitions.

Transaction-related

Transaction-related accounting or other adjustments related to significant acquisitions.

Divestments, significant legal and other items

Proceeds and costs of disposals of associates, products and businesses; significant legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations; other operating income other than royalty income, and other items.

Financial performance continued

Adjusted results

	2018		2017		Growth	
	£m	% of turnover	£m	% of turnover	£%	CER%
Turnover	**30,821**	**100**	30,186	100	2	5
Cost of sales	**(9,178)**	**(29.8)**	(8,771)	(29.1)	5	6
Gross profit	**21,643**	**70.2**	21,415	70.9	1	4
Selling, general and administration	**(9,462)**	**(30.7)**	(9,341)	(30.9)	1	4
Research and development	**(3,735)**	**(12.1)**	(3,862)	(12.8)	(3)	(2)
Royalty income	**299**	**1.0**	356	1.2	(16)	(17)
Operating profit	**8,745**	**28.4**	8,568	28.4	2	6
Net finance costs	**(698)**		(657)			
Share of after tax profits of associates and joint ventures	**31**		13			
Profit before taxation	**8,078**		7,924		2	6
Taxation	**(1,535)**		(1,667)			
Tax rate	***19.0%***		*21.0%*			
Profit after taxation	**6,543**		6,257		5	9
Profit attributable to non-controlling interests	**674**		793			
Profit attributable to shareholders	**5,869**		5,464			
Earnings per share	**119.4p**		111.8p		7	12

How we performed

Cost of sales

Cost of sales as a percentage of turnover was 29.8%, up 0.7 percentage points at AER, 0.4 percentage points at CER. The increase primarily reflected continued adverse pricing pressure in Pharmaceuticals and Established Vaccines as well as increased input costs.

Selling, general and administration

SG&A costs as a percentage of turnover were 30.7%, down 0.2 percentage points at AER, 0.3 percentage points at CER. This decrease reflected the impact of sales growth partly offset by a cost increase of 1% AER, 4% CER, primarily resulting from increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

R&D expenditure was £3,735 million (12.1% of turnover), down 3% AER, 2% CER. This primarily reflected the favourable comparison with the impact of the Priority Review Voucher purchased and utilised in 2017 and the benefit of the prioritisation initiatives started in the second half of 2018.

Operating profit

Tax

Tax on Adjusted profit was £1,535 million representing an effective Adjusted tax rate of 19.0% (2017 – 21.0%). The reduction in the effective rate was primarily driven by the reduction in the US federal tax rate.

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £674 million (2017 – £793 million). The reduction was primarily due to the lower allocation of Consumer Healthcare profits following the buyout of Novartis' interest.

Earnings per share

Adjusted EPS of 119.4p was up 7% AER, 12% CER, compared with a 6% CER increase in Adjusted operating profit, primarily as a result of a reduced non-controlling interest allocation of Consumer Healthcare profits and a lower Adjusted tax rate.

Adjusted operating profit was £8,745 million, up 2% AER, 6% CER on a turnover increase of 5%. The Adjusted operating margin of 28.4% was flat at AER but up 0.5 percentage points at CER. This reflected the benefit from sales growth at CER in all three businesses, a more favourable mix, primarily in Vaccines and Consumer Healthcare, and reduced R&D expenditure.

Our long-term priorities

We deliver our long-term priorities through each of our three businesses. They are designed to create long-term value for patients, consumers and shareholders, and are underpinned by our ambition to build a culture with a greater performance focus, aligned to our values and expectations.

This page sets out our 2018 objectives, highlights progress in 2018 and our key objectives for 2019, with more detail provided in the relevant business sections.

Our long-term priorities apply to our three businesses

Innovation

We invest in scientific and technical excellence to develop and launch a pipeline of new products that meet the needs of patients, payers and consumers.

2018 objectives

- Excellent execution of key launches: *Trelegy Ellipta, Juluca*, and *Shingrix*
- Strengthen Pharmaceutical pipeline through greater focus, improved medicines development and business development

2018 progress

- Delivered industry-leading launches of *Shingrix* and *Trelegy Ellipta*, with strong start to sales of *Juluca*
- New R&D approach to focus on science of the immune system, human genetics and advanced technologies
- Strengthened pipeline through strategic business development with 23andMe and Tesaro and terminated or divested around 80 programmes to focus investment on most promising assets
- Significant progress in reshaping Pharmaceuticals R&D portfolio, with 33[1] of 46 new medicines targeting modulation of the immune system

2019 objectives

Performance

We deliver growth based performance by investing effectively in our business, developing our people and executing competitively.

2018 objectives

- Grow sales in priority therapy areas, categories and markets
- Increase operating margins and deliver improved cash flow
- Strengthen top talent profile in key roles

2018 progress

- Group sales £30.8 billion, up 2% AER, 5% CER, with growth in new respiratory product sales and HIV
- Total Group operating margin 17.8%, up 4.3 percentage points AER, up 5.0 percentage points CER. Adjusted Group operating margin 28.4%, flat AER, up 0.5 percentage points CER
- Net cash flow from operations £8.4 billion, up from £6.9 billion. Free cash flow £5.7 billion, up from £3.5 billion
- Announced transaction to create a world-leading Consumer Healthcare Joint Venture with Pfizer and bought out Novartis' stake in GSK Consumer Healthcare
- Key leadership appointments in place with 69% of top 125 leaders new in role

2019 objectives

Trust

We are a responsible company and commit to use our science and technology to address health needs, make our products affordable and available and to be a modern employer.

2018 objectives

- Focus on supply service levels
- Define new global health approach
- Competitive employee engagement

2018 progress

- Established new set of priorities and public commitments to build trust
- Continued to simplify supply chain and improve supply performance
- Received approval for tafenoquine, the first new treatment for *P. vivax* malaria in 60 years
- Candidate TB vaccine showed positive results in phase IIb trial
- Competitive employee engagement through focus on being a modern employer
- All employees globally to have access to a preventive healthcare package

2019 objectives

- Deliver continued strong sales of *Trelegy Ellipta, Nucala*, HIV two-drug regimen and *Shingrix*
- Continue to strengthen pipeline through execution of new R&D approach, accelerating priority assets and optimising recent strategic business development transactions

- Continue to drive sales growth and operational performance
- Successful integration of Tesaro
- Deliver restructuring benefits and plan for the integration of Pfizer's consumer healthcare business
- Accelerate capability build in priority areas including digital data and analytics

- Focus on supply service levels, execute portfolio and network simplification
- Deliver progress on Trust commitments
- Progress global health research in TB and HIV
- Deliver modern employer programmes to empower employees to be themselves, feel good and keep growing at GSK

Culture

We are committed to building a new culture at GSK to accelerate delivery of our long-term priorities. In 2018, our focus was to establish a new set of expectations – courage, accountability, development and teamwork – alongside our values – patient focus, transparency, respect and integrity – and introduce a new approach to performance and reward. In 2019, we aim to continue to embed organisational understanding of how our values and expectations will support a change in culture, leading to improved culture scores, and further embed our new performance system.

Principal risks

Our Principal risks are patient safety: product quality; financial controls and reporting; anti-bribery and corruption; commercial practices; privacy; research practices; third party oversight; environment, health and safety, and sustainability; information security; and supply continuity. Our risk management framework is designed to support our long-term priorities. More detailed information can be found on pages 34 to 36 and 241 to 250.

1 Includes M7824, the subject of the proposed alliance with Merck KGaA, Darmstadt, Germany, expected to close in Q1 2019.

Key performance indicators

Our 10 operating key performance indicators (KPIs) track progress against our long-term priorities. They measure how we are performing at an overall Group level and across our three businesses. They are reviewed regularly by our Corporate Executive Team and the Board, and employees are updated on progress every quarter. In 2018, we launched a new performance system to align employees' bonuses to a relevant subset of our ten KPIs. The remuneration policy used to reward the performance of our executives includes measures linked to our KPIs (see pages 97, 101 and 103).

On this page we provide performance data for the operating KPIs we are reporting externally. Due to commercial sensitivities we are not planning to publish data for all operating KPIs.

We use a number of adjusted, non-IFRS, measures to report the performance of our business, as described on pages 40 to 42, including Adjusted results, free cash flow and CER growth rates. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.

Innovation

	2018 £bn	2018 growth £%	2018 growth CER%	2017 £bn	2016 £bn
Innovation sales ®					
Sales of Pharmaceuticals and Vaccines products launched in the last five years	**5.7**	43	46	4.0[a]	2.6[a]

For internal purposes we also measure pipeline value and progress

Performance

	2018 £bn	2018 growth £%	2018 growth CER%	2017 £bn	2016 £bn
Group turnover ®	**30.8**	2	5	30.2	27.9
Operating profit and margin ®					
Total operating profit	**5.5**	34	43	4.1	2.6
Adjusted operating profit	**8.7**	2	6	8.6	7.7
Total margin	**17.8%**			13.5%	9.3%
Adjusted margin	**28.4%**			28.4%	27.5%
Free cash flow ®	**5.7**	63		3.5[b]	3.3[b]

For internal purposes we also measure market share, and top talent in key roles.

Trust

	2018	2017	2016
Employee engagement			
Employee engagement scores from our global employee survey	**78%**	79%	

For internal purposes we also measure supply service levels and corporate reputation.

(R) Linked to Executive LTI awards and bonus, see pages 97, 101 and 103.

a Comparative information reflects sales of those products that meet the definition for 2018.

b Revised to include proceeds from the sale of intangible assets.

Industry trends

The healthcare industry is changing rapidly and has strong growth potential. Our strategy and long-term priorities, underpinned by our culture, are designed to put us in the best position to be able to respond to the opportunities and challenges that this presents.

Global economic growth remained steady in 2018, with a projected annual growth rate of 3.7%[1]. This was despite concerns over international trade, the weaker economic performance in some countries, notably Europe and Asia, and geopolitical friction. In Europe, a lack of clarity about the nature of the UK's future relationship with the EU caused some political and economic uncertainty (see page 36).

The global healthcare market continues to grow, despite signs of economic slowdown in some countries. Worldwide pharmaceutical sales totalled £731 billion[2] from September 2017–2018, up 5%. North America remains the largest pharmaceutical market with a 47% share of global sales, with Europe representing 16%[3]. China is the second largest individual country for Pharmaceutical sales, representing 8% of global sales[3]. Global vaccine sales rose to approximately £20.6 billion in 2018, up 7.3% from 2017[4]. Global consumer healthcare sales are estimated to be approximately £135 billion[4].

Global trends: opportunities and challenges

Positive demographics

Demographic change is driving demand for both preventive and therapeutic healthcare products. People are living longer, with the number of over 65-year-olds due to double between 2017 and 2050, and the global population is expanding, with the worldwide headcount due to grow by more than 1 billion between 2015 and 2030, to 8.5 billion. Increasing affluence, changing diets and lifestyles and longer lifespans are all contributing to rising demand for healthcare, especially in areas such as cancer and respiratory disease.

Advances in science and technology

Rapid advances in science and technology are transforming healthcare and increasing the probability of success in R&D. Better understanding of human biology and genetics is enabling scientists to identify and develop novel, targeted treatments and vaccines. Advances in digital technology, data and analytics meanwhile allow researchers to explore and interpret a greater volume of data much faster than before. The insights gained are accelerating and improving the development of preventive and therapeutic medicines and vaccines, and enabling manufacturers and purchasers of healthcare products to better measure their effectiveness. Technology is also now central to the way people discover, assess and buy healthcare products, with 2018 US research suggesting that 75% of consumers surveyed consider that technology plays an important part in managing their own health.

Pricing and access

The pricing of healthcare products continues to attract significant attention from governments and the public, with calls for better transparency on how prices are set and a greater emphasis on health outcome-based pricing. Specialty medicines continue to receive particular attention; their pricing reflects the therapeutic benefits and small number of patients covered by targeted treatments.

Government and payer budgets remain subject to increasing reviews as demand for healthcare grows, due to demographic change, the push for universal health coverage and advances in preventive care and treatment. Despite this, innovative medicines that are clearly differentiated in areas of unmet medical need will continue to attract strong coverage and funding in developed markets.

In the US, there is variability in how drugs are funded and reimbursed across insurance programmes. The current administration is undergoing a comprehensive review of drug pricing. During 2018, it published the drug pricing Blue Print in an effort to lower prices of pharmaceutical medicines for patients across the US. The Blue Print focuses on improved competition, better government negotiation, incentives for lower list prices and lowering out-of-pocket costs for patients. The administration aims to achieve this through a number of mechanisms, such as limiting rebates, introducing international reference pricing to compare domestic drug prices with other countries, value-based pricing pilots and reform of Medicare.

In Europe and emerging markets, international reference pricing continues to gain traction, with over 70 markets now involved globally, although many countries continue to negotiate confidential contracts with manufacturers. Increasingly, countries are also cooperating on pricing, procurement and health technology assessments (HTAs), which assess the clinical and cost-effectiveness and broader impacts of healthcare treatments. A new HTA regulation has been proposed in Europe that would centralise the clinical assessments of new medicines and medical devices. This is now going through the legislative process.

In China, the authorities accelerated progress towards bringing innovative treatments to market. This included increasing the pace and frequency of reimbursement coverage, especially for oncology drugs.

In Japan, the government continues to seek to expedite and expand drug development. However, in 2018 a significant reduction in the price maintenance premium, which exempts certain innovative medicines from annual price reductions, eroded price stability and plans to introduce a new HTA system have created further uncertainty.

1 IMF World Economic Outlook Update, January 2019.
2 The volatility of the 2018 sterling exchange rate, and revised data collection methods at research provider IQVIA, mean that this year's global figure is not entirely comparable with 2017 (£738 billion).
3 IQVIA data.
4 Internal data.

Industry trends continued

Regulatory environment

Healthcare is a highly regulated industry, reflecting public expectations that products comply to stringent levels of quality, safety and efficacy. Governments are increasingly extending the regulatory remit to support accelerated development and the introduction of new medicines with, for example, China, Japan and the US recently introducing regulatory approaches to encourage pharmaceutical innovation. Meanwhile, work on cross-border harmonisation of pharmaceutical regulation is increasing through supra-national bodies such as the International Conference of Drug Regulatory Authorities and the International Council for Harmonisation. In this context, the healthcare industry supports close cooperation on medicine regulation systems and processes between the UK and EU after Brexit.

Competition

The healthcare sector remains intensely competitive, with companies increasingly pursuing acquisitions and collaborations to strengthen their pipelines and portfolios. In 2018, notable M&A activity included Takeda's $59 billion acquisition of Shire Pharmaceuticals. This momentum continued in early 2019, with Bristol-Myers Squibb announcing its intention to buy Celgene for $74 billion.

Intellectual property (IP) protection is important to continue to incentivise innovation. This helps research-based healthcare companies ensure a reasonable return on their investments and allows them to continue to conduct research, and develop new and innovative medicines. Once IP protection expires, or if challenges to a patent are upheld, generic competitors can rapidly capture a large share of the market.

Vaccines and other biologics do not face such exposure to generic competition through these 'patent cliffs'. They are complex and more dependent on technical manufacturing processes.

In consumer healthcare, the over-the-counter (OTC) sector has seen the greatest consolidation while, in fast moving consumer goods (FMCG), lower barriers to entry and fewer regulatory hurdles have seen the rise of niche and e-commerce based companies focusing successfully on fast-adapting consumer trends.

Societal expectations

Public trust in all large institutions – including media, governments, NGOs and businesses – remains low, by historical standards, particularly in developed markets, making it an important issue for businesses as they face growing public scrutiny. Society increasingly expects companies to earn their trust by demonstrating integrity, fairness and transparency, and by making a positive contribution to the wider community. The pharmaceutical sector still suffers from a trust deficit as a result of past challenges in relation to sales and marketing practices and ethics and compliance issues.

Concern is also rising about the safeguarding of personal data. In Europe, new legislation has tightened regulations on how companies can use personal information. Loss or inappropriate use of data could have major consequences for both individuals and businesses.

Our strategic response

Our strategy – to bring differentiated, high-quality and needed healthcare products to as many people as possible, with our three global businesses, scientific and technical know-how and talented people – is designed to respond to these trends. Our long-term priorities, underpinned by our culture, will help us deliver our strategy:

Innovation: we invest in scientific and technical excellence to develop and launch a pipeline of new products that meet the needs of patients, payers and consumers.

Performance: we deliver growth based performance by investing effectively in our business, developing our people and executing competitively.

Trust: we are a responsible company and commit to use our science and technology to address health needs, make our products affordable and available and be a modern employer.

We are making important progress on these long-term priorities (see page 7), which is enabling us to respond to the dynamic environment in which we operate. To harness advances in science and technology, we are forming partnerships to bring ground-breaking products to patients faster. We aim to manage pricing pressure by researching and developing differentiated medicines that will attract the greatest coverage and funding, and by pricing our medicines according to the value and outcomes they bring to patients, providers and payers. We are committed to building trust by addressing societal expectations and by operating responsibly and transparently.

There is a continuing focus on issues such as diversity, ranging from equal pay to representation at senior management. The environment, particularly climate change, ocean protection and plastic waste, are issues where there is increased public concern and pressure for action. Companies are also under increasing scrutiny on their tax affairs, including their contribution and transparency. To be successful companies must operate in a way that meets the expectations of, and creates long-term value for, their wide range of stakeholders, including shareholders, employees, customers and suppliers.

Stakeholder engagement

Engaging with our stakeholders is key to our success and delivering our strategy. We have various mechanisms that enable the Board and management to understand and consider stakeholder views as part of their oversight and decision-making (see page 89).

This page sets out our key stakeholder groups, why they are important to us and some of the ways in which we engage with them.

Patients and consumers

Insights from patient organisations and consumers enable us to develop products and advocate for policies that better meet their needs.

- Advisory boards and Patient Advocacy Leaders Summits provide patient insights
- Engaging with and supporting patient groups (disclosed on gsk.com) and supporting initiatives that empower patients to get more involved in medicine development
- Our market research and consumer sensory labs help us understand consumer needs

Investors

We maintain regular and constructive dialogue with investors to communicate our strategy and performance in order to promote investor confidence and ensure our continued access to capital.

- One-to-one meetings between Board members, senior executives and institutional investors
- Running investor roadshows; attending conferences and events
- Annual General Meeting

Healthcare professionals and medical experts

We work with healthcare professionals (HCPs) and medical experts to understand patient needs and to ensure our products are being administered in the right way.

- Advisory boards to gather insights related to scientific research and disease management
- Collaboration on clinical trials and research
- Peer-to-peer scientific dialogue to increase understanding of diseases and develop effective prevention

R&D partners and academia

We partner with scientific institutions, business partners, and academia to further advance scientific discovery and development.

- Establishing joint ventures to improve efficiency and strengthen and improve innovation
- R&D collaborations such as our gene sequencing initiative with 23andMe and UK Biobank
- Working with academic researchers to accelerate discovery and development of new medicines

Governments and regulators

We work with governments and regulators to advocate for policies that encourage innovation, promote efficient management of healthcare spending and give patients the support they need.

- Engaging with regulatory bodies during drug development
- Engaging with government health agencies to demonstrate the value of our products
- Working with governments to build a strong operating environment for life sciences

NGOs and multilateral organisations

We work with partners to improve access to healthcare services and our products, and to advocate for the policy environment in which we can be successful.

- Working with non-governmental organisations (NGOs) and partners to research and develop products to support global health
- Partnering with NGOs and generic manufacturers to manufacture and supply our products to developing countries
- Working with multilateral organisations to drive progress on key global health priority areas

Suppliers

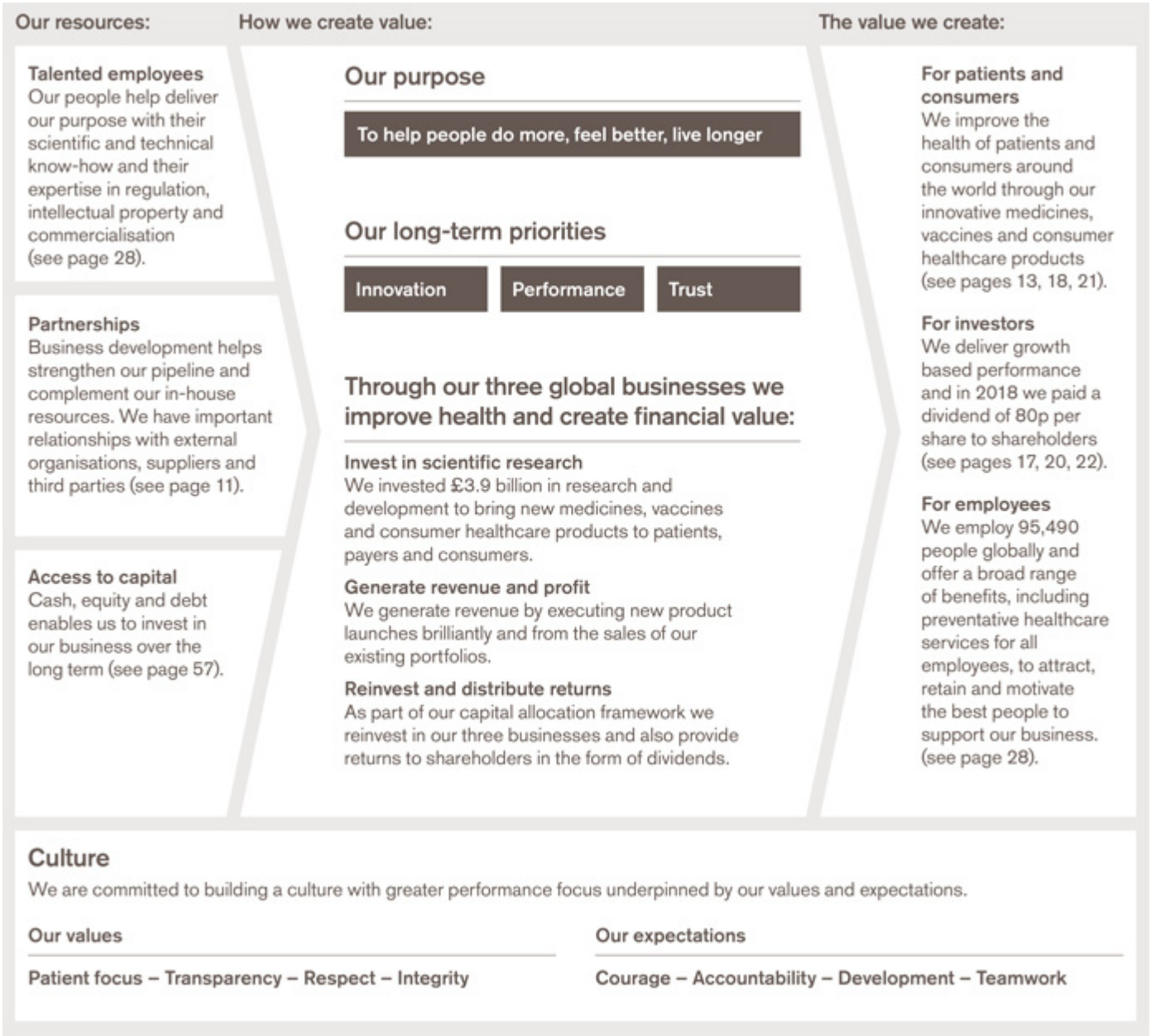
We work with thousands of suppliers, large and small, who provide goods and services that support us in delivering high-quality, safe

Employees

We involve and listen to employees to help us maintain strong employee engagement and retain talented people.

Our business model

We discover, develop and manufacture innovative pharmaceutical medicines, vaccines and consumer healthcare products. Our operations span the value chain, from identifying and researching ground-breaking discoveries, through development and testing to regulatory approval, manufacturing and commercialisation.


Our resources:
How we create value:
The value we create:
Talented employees
Our people help deliver our purpose with their scientific and technical know-how and their expertise in regulation, intellectual property and commercialisation (see page 28).
Partnerships
Business development helps strengthen our pipeline and complement our in-house resources. We have important relationships with external organisations, suppliers and third parties (see page 11).
Access to capital
Cash, equity and debt enables us to invest in our business over the long term (see page 57).
Our purpose
To help people do more, feel better, live longer
Our long-term priorities
Innovation
Performance
Trust
Through our three global businesses we improve health and create financial value:
Invest in scientific research
We invested £3.9 billion in research and development to bring new medicines, vaccines and consumer healthcare products to patients, payers and consumers.
Generate revenue and profit
We generate revenue by executing new product launches brilliantly and from the sales of our existing portfolios.
Reinvest and distribute returns
As part of our capital allocation framework we reinvest in our three businesses and also provide returns to shareholders in the form of dividends.
For patients and consumers
We improve the health of patients and consumers around the world through our innovative medicines, vaccines and consumer healthcare products (see pages 13, 18, 21).
For investors
We deliver growth based performance and in 2018 we paid a dividend of 80p per share to shareholders (see pages 17, 20, 22).
For employees
We employ 95,490 people globally and offer a broad range of benefits, including preventative healthcare services for all employees, to attract, retain and motivate the best people to support our business. (see page 28).
Culture
We are committed to building a culture with greater performance focus underpinned by our values and expectations.
Our values
Patient focus – Transparency – Respect – Integrity
Our expectations
Courage – Accountability – Development – Teamwork

Pharmaceuticals

Our Pharmaceuticals business has a broad portfolio of innovative and established medicines, with leadership positions in respiratory and HIV. We are strengthening our pipeline through a focus on immunology, human genetics and advanced technologies to help us identify the most promising new medicines.

Progress against our long-term priorities

Innovation

- New R&D approach with a focus on science related to the immune system, human genetics and advanced technologies
- Strengthened pipeline with 33[1] of 46 medicines in development targeting modulation of the immune system
- Accelerated our oncology pipeline by doubling the number of assets in clinical development via advancing key internal assets, e.g. GSK '916, and targeted business development, e.g. acquisition of Tesaro and the proposed alliance with Merck KGaA.
- Launched *Juluca*, the first two-drug HIV regimen, and expanded indications for *Trelegy Ellipta* and *Nucala*

Performance

- Total 2018 turnover £17.3 billion, flat AER, up 2% CER
- New Respiratory product sales £2.6 billion, up 35% AER, 38% CER; HIV sales £4.7 billion, up 9% AER, 11% CER
- Refined the priority markets in which we target our resources to accelerate growth
- Simplified our Pharmaceuticals supply chain, separating it from Consumer Healthcare, to improve competitiveness

Trust

- Approval of tafenoquine, the first new treatment for *P. vivax* malaria in 60 years
- Partnering to increase access to paediatric formulations of our HIV medicines
- Trained over 15,000 healthcare professionals across 21 countries on the appropriate use of antibiotics

Innovation

To strengthen our pipeline and deliver the next generation of medicines that we see bringing the greatest value to patients, we are embedding a new approach to R&D.

This approach focuses on science related to the immune system, the use of human genetics, and advanced technologies, and is driven by the multiplier effect of Science x Technology x Culture. It will help us to accelerate the pace at which we develop and deliver transformational medicines, prioritising those molecules with a higher probability of success and terminating less promising programmes. It will also enable us to increase our focus on specialty medicines in areas such as oncology.

HIV

We have a long-standing commitment to advancing the treatment, prevention and cure of HIV by developing medicines that suppress or prevent the virus in new ways and help reduce the burden of treatment. Our HIV business is managed through ViiV Healthcare, a global specialist HIV company that GSK controls as majority owner, with Pfizer and Shionogi also as shareholders. Its broad portfolio of 13 antiretroviral medicines offers a wide range of therapeutic options for people living with HIV. They include the highly successful therapies, *Tivicay* and *Triumeq*, which are based on dolutegravir, the world-leading core agent.

We have a broad clinical pipeline including 46 potential new medicines in development for a range of diseases. This includes 16[1] oncology assets – double the number we had at the start of 2018. 33 of our potential new medicines are immunomodulators, reflecting our scientific focus on immunology as the area where we see the greatest potential. In 2019, we anticipate phase III data read-outs in key areas including HIV, oncology and respiratory.

For us to focus more effectively and ensure we rapidly progress only the best assets, our culture encourages smart risk-taking and single-point accountable decision making. Dr Hal Barron, Chief Scientific Officer and President, R&D, has been instrumental in driving scientific innovation since he joined GSK in January 2018.

Marking a new era in HIV care, *Juluca*, the first two-drug regimen (2DR), once-daily, single-pill for the treatment of HIV, has now been launched in the US, Japan and several European markets. By containing fewer drugs than conventional HIV therapies, *Juluca* – and the other potential 2DRs in the pipeline – reduces patients' exposure to multiple medicines during what is often life-long treatment.

In 2018, we filed regulatory submissions in the US and Europe for another single-tablet 2DR, of dolutegravir and lamivudine. These followed the phase III GEMINI 1 & 2 studies which demonstrated similar efficacy for the 2DR compared with traditional three-drug regimens. Decisions on regulatory approvals are anticipated in 2019.

1 Includes M7824, the subject of the proposed alliance with Merck KGaA, Darmstadt, Germany, expected to close in Q1 2019.

Pharmaceuticals continued

We made further progress with the investigational once-monthly, long-acting injectable 2DR of cabotegravir and rilpivirine, a new option for patients that avoids daily, oral treatment. The LATTE-2 study showed high rates of virologic response and long-term durability over a three-year period, while the FLAIR and ATLAS studies both demonstrated similar efficacy to *Triumeq* with a once-monthly injection. Regulatory filing with the FDA is planned in 2019.

In other research, the INSPIRING phase IIIb study demonstrated the efficacy and safety of a dolutegravir-based treatment regimen in HIV and tuberculosis co-infected patients.

A phase III study of fostemsavir on heavily treatment-experienced patients with HIV, whose current antiretroviral medicines are proving inadequate, also delivered positive results. An application for regulatory approval of fostemsavir is expected to be filed in 2019.

Oncology

Cancer is one of the leading causes of death in the developed world. We are focused on delivering transformational therapies for people living with cancer. Our pipeline is focused on immuno-oncology, cell therapy and cancer epigenetics. In 2018, we made significant progress by doubling the number of oncology assets in clinical development to 16.[1] Our goal is to achieve a sustainable flow of new treatments based on a diversified portfolio of investigational medicines utilising modalities such as small molecules, antibodies, antibody drug conjugates and cells, either alone or in combination.

Our antibody drug conjugate targeting BCMA, GSK 2857916, has the potential to target multiple myeloma. It has been granted European PRIME and FDA breakthrough status, potentially enabling faster regulatory review, and has also been recognised as an orphan drug. Despite advances in treatment of multiple myeloma over the last decade, there remains no cure and high unmet need. We have an extensive development plan exploring use in the fourth to first line settings. In fourth line, following encouraging efficacy data from the DREAMM-1 study, we initiated the pivotal DREAMM-2 study which was fully recruited by October 2018. Data is expected in mid-2019 with potential regulatory submissions by year end. The second line DREAMM-6 pilot study looking at use in combination with standard of care was initiated in 2018. The results which will be available in 2019 will inform future pivotal studies. The DREAMM-5 pilot study looking at first line use in relapsed and refractory patients is planned to start in 2019.

In 2018, we accelerated the strengthening of our pipeline with the acquisition of Tesaro, an oncology-focused biopharmaceutical company. Tesaro's major marketed product, *Zejula*, is an oral poly ADP ribose polymerase (PARP) inhibitor approved in the US and Europe for adults with recurrent ovarian cancer. PARP inhibitors are transforming the treatment of ovarian cancer, demonstrating marked clinical benefit in patients with and without germline mutations in a BRCA gene. We believe they also offer significant opportunities for treating patients with many other cancer types.

Clinical trials to assess the use of *Zejula* as a monotherapy and in combinations for the significantly larger opportunity of first line maintenance treatment of ovarian cancer are under way. Results from the first of these studies, PRIMA, are expected in late 2019. *Zejula* is also being investigated as a possible treatment in lung, breast and prostate cancer, both as a monotherapy and in combination with other medicines. In addition to *Zejula*, Tesaro has several other oncology assets in its pipeline including a PD-1 inhibitor (TSR-042, dostarlimab) currently being studied for endometrial cancer. We expect pivotal data that could support a regulatory filing of dostarlimab in the second half of 2019.

In January 2019, we announced a proposed global strategic alliance with Merck KGaA, Darmstadt, Germany, to jointly develop and commercialise M7824 (bintrafusp alfa). M7824 is an investigational bifunctional fusion protein immunotherapy that is currently in clinical development, including potential registration studies, for multiple difficult-to-treat cancers. This includes a phase II trial to investigate M7824 compared with pembrolizumab as a first line treatment in patients with PD-L1 expressing advanced non-small cell lung cancer (NSCLC).

We have completed the transition of the NY-ESO SPEAR T-cell therapy programme to GSK from Adaptimmune. Early trial data suggests that this asset could be transformational in synovial sarcoma. It is the first cell therapy to show clinical response in solid tumours and is another recipient of European PRIME and FDA breakthrough status.

Another of our oncology therapies is an agonistic antibody for inducible T-cell costimulator (ICOS) – the first investigational anti-ICOS agonist antibody to enter human clinical trials. Phase I safety, pharmacokinetic and pharmacodynamic data, for the therapy alone and in combination with pembrolizumab, show early, positive indications of activity.

Respiratory

We have led the way in developing innovative medicines that advance the management of asthma and COPD for nearly 50 years. Over the past five years, we have launched six respiratory medicines, giving us the broadest portfolio of once-daily, inhaled respiratory medicines in our industry.

In 2018, we launched *Trelegy Ellipta* in 26 countries. We are now class leaders in key markets including the US, UK and France.

Following the landmark IMPACT trial in which *Trelegy Ellipta* demonstrated superiority to two of our dual medicines on multiple endpoints, expanded indications were approved in the US and Europe, enabling use across a broader group of COPD patients. We submitted regulatory filings for *Trelegy Ellipta* in Japan and China – the first for a single inhaler triple therapy for COPD in both countries. Further launches are planned throughout 2019. Results from our phase III CAPTAIN study, which is exploring the efficacy and safety of *Trelegy Ellipta* in asthma, are anticipated in 2019.

Our *Ellipta* portfolio was further strengthened with an expanded indication for *Relvar Ellipta* in asthma, and applications to support label updates in the US and Europe for *Anoro Ellipta* and *Incruse Ellipta*.

1 Includes M7824, the subject of the proposed alliance with Merck KGaA, Darmstadt, Germany, expected to close in Q1 2019.

Our first-in-class severe eosinophilic asthma biologic, *Nucala*, gained approval in Europe as the first anti-interleukin (IL-5) with a paediatric indication, alongside its earlier approval for adults. We also filed regulatory submissions for a paediatric licence in the US, and in the EU and US for a new formulation of *Nucala* that could be used subcutaneously to allow patients or caregivers to administer treatment themselves.

We continue to innovate in respiratory biologics, with investigational programmes for *Nucala* in nasal polyps and hypereosinophilic syndrome.

Immuno-inflammation

Benlysta is the world's first and only biologic medicine specifically approved to treat systemic lupus erythematosus (SLE), a chronic, incurable, autoimmune disease. Building on data from four previous phase III clinical trials, we presented results from the phase II PLUTO study exploring use in paediatric patients with childhood-onset SLE. In addition, the pivotal phase III BLISS studies showed low rates of organ damage progression in SLE patients treated with *Benlysta*.

Results from the phase IV EMBRACE study of black adult patients with active, autoantibody-positive SLE are expected in 2019. We also began a new phase III study investigating *Benlysta* in combination with rituximab in adult patients with SLE. This is assessing whether co-administration enhances *Benlysta's* treatment effect, to potentially provide sustained disease control, with the possibility of clinical remission. Headline results are expected in 2020.

We are continuing research into our anti-GM-CSF antibody for patients with rheumatoid arthritis and expect to progress to phase III in 2019.

Additional programmes

In 2018, we received approvals in the US and Australia for *Krintafel/ Kozenis* (tafenoquine), the first new treatment for *P. vivax* malaria in over 60 years (see page 25).

In Japan, we announced positive phase III results for daprodustat, an oral hypoxia-inducible factor prolyl hydroxylase inhibitor, in patients with anaemia associated with chronic kidney disease, and a strategic collaboration with the Kyowa Hakko Kirin Company for its future commercialisation. In addition, we have two ongoing daprodustat phase III studies which are anticipated to report in 2020.

We also continue to develop gepotidacin, the first in a new class of antibiotics.

Advanced technologies

Significant investment in a wide range of advanced technologies is central to our new R&D approach. We are developing a core capability in artificial intelligence and machine learning, to enhance our ability to interpret and understand genetics and genomic data. We will also invest in functional genomics, applying techniques for gene modification such as CRISPR technology, to help discover and validate potential targets. These investments supplement our existing strengths in other advanced technologies, including our leading position in cell and gene therapy, which we continue to develop.

Partnerships are key to our innovation. In 2018, we formed an exclusive collaboration with 23andMe, the world's leading consumer genetics and research company. This will combine our scientific and medical knowledge with 23andMe's large-scale genetic resources and unique data science skills, improving the probability of R&D success. This exciting collaboration builds on our existing partnerships, such as the Altius Institute, which pioneers new technologies and approaches for decoding gene control; the UK Biobank, which is generating anonymised genetic sequence data from 500,000 volunteers, and the Open Targets consortium, which supports an open access search engine that searches, evaluates and integrates biologic and genetic disease data.

Improving R&D governance

We have established two new governance boards, the Research Review Board (RRB) and the Development Review Board (DRB). The RRB is accountable for our future portfolio, providing technical review on the quality of our research and early-stage programmes. The DRB reviews late-stage programmes to make sure our studies are robust and innovative.

Aligned to these changes, we have created separate organisations for research and for development to enable rigorous and disciplined decision-making and oversight across the early and late stage portfolio. Due to their specialist nature, we have kept distinct R&D units for oncology and global health.

To support the most promising potential medicines in the portfolio we terminated or divested around 80 programmes. Terminations included danirixin, miridesap and dezamizumab. We also transferred our rare disease gene therapy portfolio to Orchard Therapeutics, in which we have become an equity shareholder, and sold the rights to tapinarof to Dermavant Sciences.

Pharmaceuticals continued

Pharmaceuticals pipeline overview

We have 46 assets in development, with 33 immunomodulators of which 16 are focused on oncology.
We expect a number of pivotal readouts in 2019.

Phase	Compound	Indication
Pivotal/registration*	*Benlysta* + *Rituxan*[1]	SLE[2]
	cabotegravir[2] LA + rilpivirine[1]	LA HIV
	D3, dolutegravir + lamivudine	HIV
	1278863 (daprodustat HIF-PHI)	anaemia
	3684934 (fostemsavir HIV AI)	HIV
	Nucala	COPD/HES/nasal polyps
	Trelegy Ellipta[1]	asthma
	Dectova[1,4] IV	influenza
	2857916[1] (BCMA ADC)[1]	multiple myeloma
	Zejula (PARP inhibitor)[1]	first-line maintenance ovarian cancer[2]
	dostarlimab (PD-1 antagonist)[1]	endometrial cancer
Phase II	3196165[1] (GM-CSF inhibitor)	RA
	3389404[1]/3228836[1] (HBV ASO)	HBV
	3359609[1] (ICOS receptor agonist)	cancer
	2982772 (RIP1k inhibitor)	pso/RA/UC
	3772847[1] (IL33r antagonist)	severe asthma
	3377794[1] (NY-ESO-1 TCR)	cancer
	2586881[1] (rhACE2)	acute lung injury/PAH
	2140944 (gepotidacin, topoisomerase IV inhibitor)	antibacterial
	2330811 (OSM antagonist)	systemic sclerosis
	2881078 (SARM)	COPD muscle weakness
	2862277 (TNFR1 antagonist)	acute lung injury
	3174998[1] (OX40 agonist)	cancer
	525762 (BET inhibitor)	cancer
	2330672 (IBAT inhibitor)	cholestatic pruritus
	3326595[1] (PRMT5 inhibitor)	cancer
	GR121619[1] (oxytocin)	postpartum haemorrhage
	TSR-022 (TIM-3 antagonist)[1]	cancer
	M7824[1,3] (TGFβ trap/anti PD-L1 bispecific)	NSCLC[2]
Phase I	2831781[1] (LAG3)	ulcerative colitis
	3358699[1] (BET targeted inhibitor)	RA
	3858279[1] (CCL17 antagonist)	OA
	2636771 (PI3kb inhibitor)	cancer
	2983559 (RIP2k inhibitor)	IBD
	3036656[1] (leucyl t-RNA inhibitor)	TB
	3640254 (HIV maturation inhibitor)	HIV
	3511294[1] (IL5 LA antagonist)	asthma
	2292767 (PI3kd inhibitor)	respiratory diseases
	1795091 (TLR4 agonist)	cancer
	3810109[1] (broadly neutralizing antibody)	HIV
	3537142[1] (NYESO1 ImmTAC)	cancer
	3439171[1] (HPGD2 inhibitor)	muscle repair
	3145095 (RIP1k inhibitor)	pancreatic cancer
	3368715[1] (PRMT1 inhibitor)	cancer
	TSR-033 (LAG3)[1]	cancer
	2269557 (nemiralisib PI3Kd inhibitor)	APDS

* Includes programmes in pivotal phases of development or where pivotal data has reported and regulatory submissions are under consideration or under review.
1 In-licence or other alliance relationship with third party.
2 Additional indications also under investigation.
3 Pending closure of transaction with Merck, KGaA, Darmstadt, Germany.
4 Subject to regulatory approval.
Note: for oncology where phase I studies are conducted in patients, the shift from phase I to phase II is defined when expansion cohorts are started.

Performance

2018 performance summary

Pharmaceuticals turnover in 2018 was £17,269 million, flat at AER, but up 2% CER, driven primarily by the growth in HIV sales. In the US, sales declined 2% AER but grew 1% at CER, with growth in the HIV portfolio and *Benlysta* offsetting declines in established pharmaceuticals and respiratory following patent expiries. In Europe, sales grew 2% AER, 1% CER, with growth in the respiratory portfolio offsetting the continued impact of generic competition to *Epzicom* and *Avodart*. International was flat at AER but grew 5% CER, with growth driven by HIV and the new respiratory portfolio.

Respiratory sales declined 1% AER, but grew 1% CER, to £6,928 million, with growth from the *Ellipta* portfolio and *Nucala* partly offset by lower sales of *Seretide/Advair* as the market prepares for the entry of a generic. Sales of new respiratory products, comprising *Ellipta* products and *Nucala*, grew 35% AER, 38% CER to £2,612 million.

HIV sales increased 9% AER, 11% CER to £4,722 million, reflecting share growth in the dolutegravir portfolio: *Triumeq*, *Tivicay* and *Juluca*. This was partly offset by the decline in the established portfolio, particularly the impact of generic competition to *Epzicom/Kivexa in* Europe.

Immuno-inflammation sales were up 25% AER, 28% CER in 2018, primarily driven by *Benlysta*.

Our Established Pharmaceuticals portfolio includes mainly off-patent medicines. Sales were £5,147 million, down 7% AER, 4% CER, reflecting efforts to maximise the value from this portfolio but also the benefit of certain post-divestment contract manufacturing sales and the first instalment of a 12-month *Relenza* supply contract in Europe.

The Pharmaceuticals operating margin of 33.3% was 1.0 percentage points lower at AER than in 2017 and 0.9 percentage points lower on a CER basis. This primarily reflected increased investment in new product support, the continued impact of lower prices, particularly in respiratory, the broader transition of the respiratory portfolio, and a reduction in royalty income. This was partly offset by the benefits of prioritisation within R&D and a favourable comparison with the impact of the Priority Review Voucher purchased in 2017.

Focusing our resources to accelerate growth

In 2018, we made significant changes to the way our Pharmaceuticals organisation works to accelerate growth and deliver the best results for all our stakeholders.

We refocused our resources, prioritising the major markets such as the US and China, while reducing investment in lower priority markets. We have also prioritised resource behind brands and therapies with the greatest growth potential and which generate the

In recent years, we have significantly strengthened our online resources and in-house medical capabilities to provide bespoke product information for healthcare professionals (HCPs). In 2018, we updated our policy on working with HCPs, following consistent feedback that they value the opportunity to learn about new products through peer-to-peer programmes with expert practitioners who have direct experience of our medicines.

The new policy will ensure prescribers have access to all available information on our innovative products, so they can make fully informed decisions that support better outcomes for patients. When we have new medicines or significant new data we will allow payment to global experts to speak about the scientific evidence, the diseases they treat and their own clinical experience. The change was implemented in the US and Japan in late 2018, and depending on effective implementation and assessment of risk will be implemented, in other major developed markets in Europe, North America and Asia from 2019 onwards. To avoid any perceived conflict of interest, we have strengthened our commitment to transparency with new controls and expanded disclosure of payments to individual HCPs.

Creating a simpler, competitive supply chain

Reliable supply is fundamental to enabling growth in key therapy areas. Our Pharmaceuticals supply performance levels continued to improve in 2018 with an on-time, in-full supply to customers rating of 95.3%. All new products were launched on time.

We are adopting a simplified structure and operating model geared to driving performance with increased focus on priority brands and markets, clearer accountabilities and more pace. This has included separating our Pharmaceuticals manufacturing and supply organisation from our Consumer Healthcare network.

We continued to adapt our manufacturing network to support growth, improve competitiveness and meet business and patient needs. We opened a £54 million facility in Montrose, Scotland to supply active pharmaceutical ingredients for our *Ellipta* respiratory medicines, and a £26 million facility in Parma, Italy that will produce fostemsavir, our investigational HIV treatment.

We revised our supply and demand, warehousing and distribution operations to align with commercial priorities and announced manufacturing site closures in Mexico and Bangladesh. Following an extensive review of our cephalosporins antibiotics assets we decided to restructure its supply chain and manufacturing site at Ulverston in the UK. This will help us improve competitiveness and support growth in emerging markets. We continued to simplify our supplier base and product portfolio and are ahead of schedule to reduce our contract manufacturers by 35% by 2021.

highest revenue. To support our ambitions for the oncology therapies in our pipeline, we strengthened our oncology commercial infrastructure; recruiting more experts in oncology and haematology and co-locating our R&D and commercial teams.

We simplified our commercial, medical and regulatory teams, with fewer complex structures, systems and processes, and clearer accountabilities. This enables greater speed and efficiency and frees local operating companies to focus on customer-facing activities and insights. The savings released by these changes will be reinvested into our priority products and markets.

The Pharmaceuticals manufacturing and supply organisation again delivered good performance for safety, quality and compliance. There were 55 regulatory inspections in 2018, all resulting in satisfactory outcomes.

Vaccines

We are the leading vaccines company in the world, delivering over 2 million vaccine doses every day to people living in 158 countries. Our portfolio and pipeline help protect individuals throughout their lives. We have recently introduced breakthrough vaccines *Shingrix* for shingles and Bexsero, the first vaccine for meningitis B.

Progress against our long-term priorities

Innovation

- *Shingrix* launched successfully in the US and Canada.
- 23% of 2018 sales came from recent innovations, driven by *Shingrix* and *Bexsero*
- We have 16 candidate vaccines across all R&D phases
- Capabilities in science and new technologies continues to be differentiator

Performance

- Total 2018 turnover £5.9 billion, up 14% AER, up 16% CER
- Grew ahead of the market, strengthening our position as the leading vaccines company by value
- In addition to *Shingrix*, key contributions from our influenza and hepatitis franchises, and *Bexsero*

Trust

- Over 120 million doses of vaccines delivered to Gavi, the Vaccine Alliance, to help prevent pneumococcal disease, rotavirus and cervical cancer
- 270 million doses of oral polio vaccine delivered to UNICEF for the Global Polio Eradication Initiative
- Positive results from candidate TB vaccine in phase IIb trial

Innovation

Our Vaccines business has 16 innovative candidate vaccines. We balance our focus on this robust pipeline with the active life-cycle management of our existing vaccines, helping to protect more people through expanded indications and geographies.

Our investment in breakthrough vaccines technologies creates a real point of differentiation and will deliver further benefits in the future. We have more than 2,500 vaccines scientists working in three global R&D centres, in Belgium, Italy and the US. This international spread equips us with a diversity of skills and culture, helps to attract the best talent, and opens doors to external partnerships. In 2018, the proportion of our sales from innovations introduced in the past five years was 23%.

We are expanding our capabilities to become a stronger player in the world's largest vaccines markets, the US and China. To achieve this goal, we are simplifying complexity across the business, reducing R&D timelines and developing a more dynamic culture. In September, Roger Connor became the new President, Global Vaccines.

Delivering best-in-class innovation

Shingles

In 2018, our breakthrough shingles vaccine, *Shingrix*, was recognised as the most successful biopharma launch in the past 10 years in North America[1]. In June, Canada's National Advisory Committee on Immunization (NACI) made a strong recommendation for *Shingrix* to be offered to people over 50, following a similar opinion in the US in 2017. In March, *Shingrix* received licensing approval in the EU and Japan, and in May we launched it in Germany. In December, the Standing Committee on Vaccination in Germany, STIKO, recommended *Shingrix* for all people over 60 and for those over 50 with an immune-compromising condition or severe underlying disease. The vaccine was approved in Australia in July 2018. In line with our phased launch strategy, we have the detailed capacity plans in place that are necessary to deliver the meaningful increase in doses needed to meet long-term global demand.

Shingrix marks a step change in the prevention of shingles, a painful and potentially serious condition that affects more than one in three people during their lifetimes. It was designed specifically to address the challenge of age-related decline in immunity and is the first approved

shingles vaccine to combine a non-live antigen, to trigger a targeted immune response, with a specifically designed adjuvant to generate a strong and sustained immune response. Clinical trials have proven *Shingrix* efficacy of more than 90% for all age groups studied.

1 Source – independent assessment from IQVIA.

Meningitis

We are the market leader in vaccines against meningococcal meningitis, with our complementary portfolio of *Menveo*, against serogroups A, C, W, and Y, and *Bexsero*, targeting serogroup B.

In 2018, we continued to consolidate our leadership by broadening the age range that our vaccines cover. In the US, where *Bexsero* is licensed for 10-to-25-year-olds, the vaccine received Breakthrough Therapy Designation from the FDA for children between two- and 10 years old. In June, the European Medicines Agency approved a new, alternative (2+1) dosing schedule for *Bexsero* in infants (in addition to the existing 3+1 schedule), offering healthcare professionals more options to help protect infants from invasive meningococcal disease (IMD) caused by serogroup B and the potential for fewer visits to the doctor for families.

We continued to support external research into meningitis B, including funding the largest-ever study into the adolescent carriage of meningococcal bacteria. The study, led by the University of Adelaide, saw more than 34,000 teenagers being vaccinated with *Bexsero*. The early findings, which are a significant step forward in scientific understanding, show there was a fall in the number of meningitis B cases in South Australian adolescents, but no statistically significant reduction in nasopharyngeal carriage of the bacteria that causes the disease. As such, these preliminary results underscore the need for direct vaccination of vulnerable individuals, particularly infants and adolescents, as the best way to protect against meningococcal B disease.

We advanced our work on new formulations for meningitis vaccines, with our fully liquid *Menveo* candidate vaccine entering phase II clinical trials. The phase III results for the US *Menveo* booster found that it can effectively and safely extend protection four to six years after a primary course of MenACWY vaccine. We also remain committed to the challenging goal of developing a single vaccine to cover the five most common meningitis serogroups of A, B, C, W and Y.

Other priority assets

We are pursuing a full portfolio of vaccines against respiratory syncytial virus (RSV), tailored to the different age groups most at risk of infection from the virus. There is currently no prophylactic vaccine approved for the prevention of respiratory disease caused by RSV, in spite of the significant medical need. Our maternal vaccine is designed to increase antibodies in the mother that will transfer to the baby and help protect them in the first months of life, when the disease is most severe. Our candidate paediatric vaccine, given directly to babies, is designed to induce protection from the disease throughout childhood and, potentially, for recipients' entire lives. In late 2018, we began a phase I/II trial for children, and commenced a phase I study on the maternal vaccine. The US FDA has given fast track designation to our RSV candidate vaccines for pregnant women and older adults, which have just entered clinical development.

The phase I and II studies demonstrated that our candidate vaccine was safe and capable of inducing an immune response. We began a phase IIb (proof of concept) study in Europe and North America in 2017, with efficacy results expected in mid-2020.

In influenza, we are working on a universal (supra-seasonal) vaccine with researchers at Mount Sinai in the US. We also expanded the indications for our existing flu vaccines, with European approval for a paediatric indication for *Fluarix Tetra*.

New technologies

Our success in innovation reflects our unique combination of advanced technologies, scientific experts across three global R&D centres, and external collaborations. Our broad range of technologies includes adjuvant systems, self-amplifying messenger RNA (SAM), bioconjugates, generalised modules for membrane antigens (GMMA) and the chimpanzee adenovirus (ChAd) platform. Such capabilities have the potential to significantly reduce the cost and time of vaccine development and help make radical advances that address unmet medical needs.

External partnerships

Partnerships remain central to our innovation. We have around 150 external scientific collaborations, with most of our 16 candidate vaccines being developed in partnership. Our partnerships and technologies also support our work on tuberculosis and shigella for instance, which is part of our ongoing commitment to developing vaccines against the diseases of the developing world. Such collaborations enable our Vaccines scientists to learn from other leading experts and stay close to emerging technologies and new science.

Vaccines pipeline

Phase	Indication/vaccine
Phase III	*Shingrix* (for immunocompromised)
	Bexsero (infants in the US)
	Rotarix (PCV-free)
	MMR (in US)
Phase II	COPD
	Hepatitis C
	Malaria (next gen)
	MenABCWY
	Menveo (liquid)
	Shigella
	Tuberculosis

By 2030, COPD is predicted to become the world's third-leading cause of death. Our COPD candidate vaccine marks a move away from the traditional concept of a vaccine given to healthy people to prevent a specific disease towards the development of a disease-modifying vaccine that could reduce the frequency of COPD exacerbations and slow down the disease's progress. It combines two antigens from bacteria commonly found in acute COPD exacerbations with our proprietary adjuvant system, ASO1.

	RSV paediatric
	HIV
Phase I/II	RSV older adults
	Flu universal
	RSV maternal

Vaccines continued

Performance

2018 performance summary

Vaccines turnover grew 14% AER, 16% CER to £5,894 million, primarily driven by growth in sales of *Shingrix*, hepatitis vaccines, which also benefited from a competitor supply shortage, and higher sales of influenza products.

The operating margin of 33.0% was 1.1 percentage points higher at AER than in 2017 and 2.5 percentage points higher on a CER basis. This was primarily driven by enhanced operating leverage from strong sales growth, an improved product mix, including the impact of the launch of *Shingrix*, together with further restructuring and integration benefits. This was partly offset by the comparison with the benefit of a settlement for lost third-party supply volume recorded in 2017, increased supply chain costs and increased SG&A investments to support new launches and business growth.

Shingrix recorded sales of £784 million, primarily in the US and Canada, driven by demand and share gains. US sales benefited from market growth in new patient populations now covered by immunisation recommendations and *Shingrix* has now achieved a 98% market share. In the first half of 2018 alone, *Shingrix* performed twice as strongly as the competitor vaccine had during the whole of 2017.

Meningitis sales were down 1% AER but up 2% CER to £881 million. *Bexsero* sales grew 5% AER, 9% CER, driven by demand and share gains in the US, together with continued growth in private market sales in International, partly offset by the completion of vaccination of catch-up cohorts in certain markets in Europe. *Menveo* sales declined 15% AER, 12% CER, primarily reflecting supply constraints in Europe and International as well as a strong comparator in 2017 and unfavourable year-on-year CDC stockpile movements in the US, partly offset by demand and share gains in the US.

Fluarix/FluLaval sales grew 7% AER, 10% CER to £523 million, driven by strong sales execution in the US and improved sales in Europe, partly offset by increased price competition in the US.

Established Vaccines sales were down 1% AER and flat CER reflecting lower sales of DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix*) due to increased competitive pressures, particularly in Europe, and unfavourable year-on-year CDC stockpile movements in the US, together with lower *Synflorix* sales, reflecting lower pricing and demand in emerging markets. Hepatitis vaccines sales grew 17% AER, 19% CER to £808 million, benefiting from stronger demand in the US and Europe, as well as a competitor supply shortage in the US.

Focusing on growth markets

In 2018, we strengthened our position as the world's leading vaccines company by value. Sales grew ahead of the market, increasing our market share and profitability.

Having established our leadership in Europe and emerging markets, we are now focusing on increasing our presence in the world's largest vaccines markets – US and China – to protect more people and improve business performance. The US is our number one priority market and our performance in the US in 2018 has been particularly strong. We welcome the Chinese government's recent steps to fast-track the approval of 'clinically urgently needed' new medicines and vaccines, reflecting its commitment to enabling faster entry of new prevention and treatment options. We look forward to responding to that need with our innovative vaccines in the years ahead.

Creating a simpler, competitive supply chain

We have 13 manufacturing sites, across 10 countries. This international presence enables us to produce our vaccines with flexibility, as demonstrated during the year, when we leveraged our secondary manufacturing network to increase capacity for *Shingrix*.

We have delivered more than 9 million doses globally since launch and we are working hard to build capacity and meet long-term global demand. We continue to target high-teens millions of doses over the next two or three years. To do this, we are undertaking multiple initiatives to boost production across our global manufacturing network in the US and Europe, and at every stage of the manufacturing process from primary antigen production to packaging. These initiatives will ensure sustainable, steady supply growth for the vaccine over the coming years.

During the year, we continued to simplify our supply chain, and discontinued several vaccines that duplicate existing products. Our ongoing investment in our manufacturing network enabled a 10% growth in our filling volume and we maintained our strong focus on the safety and high quality of all our vaccines.

Consumer Healthcare

Our Consumer Healthcare business combines science and consumer insights to develop innovative everyday healthcare brands for oral health, pain relief, respiratory, skin health, nutrition and digestive health categories.

In 2018, we reached agreement with Pfizer to combine our consumer healthcare businesses into a new world-leading joint venture.

Progress against our long-term priorities

Innovation

- Worldwide rollout of *Sensodyne Rapid Relief, Voltaren No Mess* and *parodontax/Corsodyl*
- Science-based innovations included *Theraflu PowerPods* and a *Polident* denture care range
- New digital innovation hub established to accelerate innovations in self-care

Performance

- Total 2018 turnover £7.7 billion, down 1% AER, up 2% CER
- Bought out Novartis' 36.5% stake in Consumer Healthcare Joint Venture for £9.2 billion
- Agreement with Pfizer to combine our consumer healthcare businesses into a new world-leading joint venture
- Announced the sale of *Horlicks* and other consumer nutrition brands to Unilever

Trust

- Supply chain service levels continued to improve, achieving 98% on-time, in-full delivery performance
- Five-year partnership with Smile Train launched to help more children access life-changing cleft lip and palate surgery
- Continued our partnership with Allied Against Dengue in India and South East Asia to prevent outbreaks of dengue fever
- Employee engagement score increased to 81%

Innovation

We delivered 36 first market launches across our categories and 250 roll outs of new products. In 2018, the proportion of our sales from innovations introduced in the past three years was 11%.

Delivering best-in-class innovation

We use deep consumer insights and scientific and technical expertise to deliver innovations across each of our categories. For example, in oral health, we further strengthened our leadership in denture care with the delivery of two innovations to improve the experience for denture wearers. We addressed a consumer need for an easy, discreet denture-cleaning solution with the launch of *Polident Clean & Refresh* wipes, which can be used anywhere without the need for water. The wipes combine a unique and patented combination of tear-resistant tissue and a double mint solution, offering consumers a quick and effective clean and improved denture confidence. In addition, our new denture adhesive, *Polident Max Seal*, has an innovative precision nozzle with a finer tip which enables exactly the right amount of fixative to be applied, creating a precise seal around the edge of the denture for a more comfortable eating experience.

In pain relief, we continued the rollout of *Voltaren No Mess* in an additional 17 markets in 2018, including Russia, UK, Australia, Italy and Spain. The innovative No Mess cap was designed to address a key consumer barrier to using topical pain relief and makes the product easier and less messy to apply.

In digestive health, we launched two extensions of our *Tums* brand. *Tums Gas Relief* which offers consumers multi-symptom relief from heartburn as well as gas, was introduced in our 'chewy bites' format which is the preferred format for the growing number of younger consumers entering this category. We also introduced a sugar-free version of *Tums* in 2018 for consumers looking to reduce their overall daily sugar intake.

Building industry-leading capabilities

Each of our main categories is supported by a dedicated global innovation hub, where our scientists work in close partnership with commercial teams. This means that R&D in each of our hubs is both science-based and consumer-led and helps speed new innovations to market. The network's footprint in Europe, the US and Asia, also

The successful rollout of *Sensodyne Rapid Relief*, a premium extension of our *Sensodyne* brand, continued. Launched in 2017, it is designed to provide fast relief from tooth sensitivity in as little as 60 seconds. During 2018, we introduced it in an additional 40 markets, including the US, Italy, Argentina, New Zealand and Egypt bringing the total number of successful market launches to more than 90.

In respiratory, consumer insight inspired the packaging innovation behind *Theraflu PowerPods*, a new extension of *Theraflu*, our respiratory power brand. *Theraflu PowerPods*, which were launched in the US, contain cold and flu relief medicine or active ingredients within a pod that can be used in single-serve coffee makers. This format is much more convenient for US consumers, who rarely use kettles.

enables us to stay close – and relevant – to all global trends and markets.

Our Consumer Sensory Labs enable us to listen to, understand and meet the needs of consumers. Scientists and commercial teams in these labs assess consumer reactions to products during the development process to help improve existing products and develop new ones. During the year, we brought the capabilities of our sensory labs closer to our markets via labs in the US, the UK and India so that we can understand consumer preferences in different parts of the world. For example, we developed *Otrivin Unblock & Heal* in response to consumer need for a medicated spray that both relieves the congestion and nasal dryness that can accompany a cold and also helps fight the virus. We launched this triple-action spray in Europe in late 2018.

Consumer Healthcare continued

The increasing use of digital technology is revolutionising the way that consumers learn about, buy, and use healthcare products. In 2018, we created a new London-based consumer healthcare digital innovation hub. The hub is a close partnership of commercial, technology and R&D, focused on identifying and accelerating innovations in our categories to develop digitally driven brands, products and services that consumers can use to monitor, manage and improve their own health.

Emerging markets opportunities

More than one-third of our sales are in emerging markets, where increasing prosperity is boosting the proportion of middle-class consumers and, in turn, the demand for consumer healthcare. Our innovation hubs in India and China are at the forefront of our efforts to understand and meet this growing consumer need, and to remain competitive in these important markets. In India, we entered the high protein drink category with the launch of *Horlicks Protein Plus* which blends quality, fast and slow release proteins with its high level of amino acids, enabling the product to develop stronger science-based claims than its competitors.

External partnerships

By combining the insights and expertise of our scientists with breakthrough ideas developed externally, we can develop and deliver a strong, competitive pipeline of consumer-led, science-based innovation. Since 2016, the percentage of innovation sales coming from externally sourced product innovation has increased fivefold. In 2018, products from external partnerships accounted for 11% of innovation sales, including *Otrivin Unblock & Heal*. During the year, we entered into over 30 external R&D partnerships and our aim is that they will make up 30% of our pipeline in the future.

Performance

2018 performance summary

Our marketing and innovation resources are targeted on the brands which deliver the strongest growth and highest returns – our seven global power brands, including *Sensodyne, Voltaren, Panadol* and *Theraflu,* and our 12 regional core brands, such as *Tums* and *Excedrin*. Together these brands drive performance of Consumer Healthcare and reinforce our global leadership in pain relief, respiratory and therapeutic oral health.

Consumer Healthcare sales were £7,658 million, down 1% AER and up 2% CER, with broad-based growth in oral health and wellness partly offset by a decline in *Panadol* and lower sales of smaller brands. International markets performed strongly, particularly India and Brazil, while Europe was impacted by intensifying competitive pressure in the second half of 2018. The aggregate impact from generic competition on *Transderm Scop* in the US, the divestment of *Horlicks* and *MaxiNutrition* in the UK and other small non-strategic brands and implementation of the Goods & Service Tax (GST) in India reduced overall sales growth by approximately one percentage point.

Oral health sales grew 1% AER, 4% CER to £2,496 million, as increased competitive pressures in Europe were offset by double digit growth from *Sensodyne* in a number of International markets, including India and Turkey, and strong single-digit growth in the US driven by *Sensodyne Rapid Relief*. Our premium gum health brand *parodontax/Corsodyl* became the world's fastest growing global toothpaste, outperforming the market four fold, driven by continued

In pain relief, sales were flat. Low single-digit growth in *Voltaren*, supported by the roll-out of *Voltaren No Mess* in 20 markets, and double-digit growth in *Fenbid* were offset by a decline in *Panadol* sales due to a change in the route-to-market model in South East Asia and the discontinuation of slow-release *Panadol* products in the Nordic countries.

Nutrition sales declined 5% AER but grew 1% CER to £643 million. The nutrition business in India performed strongly across the product portfolio including new innovations such as *Horlicks Protein Plus*. The impact of divestments and India GST implementation on nutrition category growth was approximately eight percentage points. Skin health sales were down 4% AER, 1% CER to £579 million.

Consumer Healthcare operating margin of 19.8% was 2.1 percentage points higher than in 2017 and 2.2 percentage points higher on a CER basis. This primarily reflected improved product mix and manufacturing restructuring and integration benefits, as well as continued focus on delivering improved return on investment on our advertising and promotional spend.

Strategic business development

During 2018, we made further progress against our Performance priority to deliver sales growth, operating margin improvements and attractive returns, completing a £9.2 billion buyout of Novartis' 36.5% stake in GSK Consumer Healthcare in June.

After conducting a strategic review of our nutrition portfolio, in December we announced the sale of *Horlicks* and other consumer

momentum in the US since its launch in 2017, and a strategic brand repositioning across 40 countries. Our denture care brands outperformed the category, supported by innovations including *Polident Max Seal* and *Polident Clean & Refresh*, further strengthening our global leadership position.

Wellness sales declined 2% AER but grew 1% CER to £3,940 million. Respiratory sales grew in low single digits, led by *Theraflu* supported by a strong cold and flu season earlier in the year. *Otrivin* grew in mid single digits, benefiting from new variants, and *Flonase* returned to growth following a weaker allergy season earlier this year.

nutrition brands to Unilever. As part of this transaction, we announced that we will merge our 72.5% stake in GlaxoSmithKline Consumer Healthcare Limited in India with Hindustan Unilever Limited. The proposed merger includes a distribution arrangement, which will allow Hindustan Unilever Limited to leverage its scale and strong reach to sell and distribute our OTC and oral health brands in India. This transaction is expected to close by the end of 2019.

Most recently, we reached an agreement with Pfizer in December 2018 to combine our consumer healthcare businesses to create a new world-leading joint venture with combined sales of approximately £9.8 billion. This brings together two highly complementary portfolios of trusted consumer healthcare brands, including GSK's *Sensodyne, Voltaren* and *Panadol* and Pfizer's, *Advil, Centrum* and *Caltrate*. The new combined business will have leadership positions in pain relief, respiratory and vitamins, minerals and supplements in addition to our number one position in therapeutic oral healthcare, and will be well positioned to deliver strong sales, cash flow and earnings growth.

Together, these moves provide confidence to improve our margin target to mid-to-high-20s by 2022, assuming the close of the transaction with Pfizer. This improvement is expected to be achieved in part by delivering £0.5 billion of total annual costs savings through the joint venture and additionally through delivery of a business-wide programme aimed at freeing up cash to improve returns to shareholders and reinvest in the business to drive growth. This is focused on four pillars: net revenue management to maximise the value of our brands with shoppers and customers; cost and cash discipline enabled by zero-based budgeting; strategic resource allocation to focus our investments in the right areas to get the best returns; and increased efficiencies in our supply chain.

Joining forces with Pfizer Consumer Healthcare will be transformational to the scale of GSK Consumer Healthcare and lays the foundations for the new JV to be separated from GSK via a demerger. This is expected to take place within three years of closing the transaction with Pfizer, which we expect to occur in the second half of 2019, subject to approvals. Further details on the risks associated to the transaction are set out on page 36.

Digital transformation

By putting digital technology at the heart of our business, we aim to deliver more meaningful interactions with consumers, fuel brand growth and achieve efficiency savings. In 2018, we invested strongly in our digital capabilities, including hiring expert new talent.

Reflecting the far higher return on online media, compared with traditional television advertising, we significantly increased the digital balance of our marketing. To streamline our media buying, we appointed one global media agency to oversee our digital and offline paid media strategy and planning around the world. We also boosted our attractiveness in e-commerce channels by optimising the findability of our products, developing rich content for retailer portals, and securing high-profile ads on customers' e-commerce sites. To enrich our people's digital skills, we rolled out a new Marketing IQ development programme to 1,300 of our marketers.

Our digital impact is aided by innovative industry partnerships: a collaboration with Google helps us deliver relevant content to consumers, while a partnership with Chinese marketing and media organisation Alimama enables us to target shoppers with appropriate and timely information. Our partnership with Google has driven greater efficiency in our media targeting. We drove 4.5 billion more

Winning with shoppers, customers and experts

Expert endorsement builds trust in our brands and drives shopper purchase decisions. *Sensodyne*, for instance, is the number one dentist-recommended brand for sensitivity in 80% of the markets in which we compete. Of our OTC brands 70% are sold in pharmacies. We continued to prioritise our relationships with dentists and pharmacists and to invest in information that supports our products. In 2018, our expert sales representatives called on 400,000 dentists in over 90 markets to share relevant science-based information and we published approximately 30 abstracts on our clinical trials and science.

Business partnering with retailers is key. For example, our top six customers in the US account for approximately 70% of our sales there. We continue to develop our strong capabilities in joint business planning, category management and distribution management to ensure we win with our retailers.

Our Shopper Science Labs in the UK, US and Singapore use state-of-the-art technology to track shopper behaviour in real time to provide us with rich insights on consumers' shopping habits around the world. We have satellite facilities located by the headquarters of our major retail partners. These labs enable us to adapt the shopping experience to meet each consumer's need and make decisions about what new products, promotions or packaging will really make a difference.

Creating a simpler, competitive supply chain

We have continued to strengthen our supply chain and reduce complexity to improve efficiency. In addition, we have formally integrated it within our business, where previously some central resources and processes were shared between the Consumer Healthcare and Pharmaceuticals supply chains as a central unit. We also reorganised our supply chain on a regional basis, more closely reflecting our commercial operations, to make it more responsive and agile.

During 2018, we sold two sites (Aiken, US and Slough, UK) and announced the closure of three more in Ireland, the US and the Philippines as part of our commitment to remove complexity across our network and streamline our operations. Overall, since 2015, we have removed four sites from our supply chain network and announced the closure of another five. We continued to streamline the number of contract manufacturers (CMOs) we use and have reduced the number by almost 30% since 2015. We continued to simplify our portfolio by further reducing the number of different ways that our products are packaged.

Our manufacturing sites recorded a strong on-time in-full delivery performance, as service levels continued to improve. Reflecting this good performance, the supply chain successfully supported our growing power brands and met business innovation targets in full, including all first-market launches.

viewable digital media impressions than the same investment would have generated in 2017, representing a 74% increase. We also draw on invaluable external insights from our Digital Advisory Board (DAB), which is made up of digital marketing, data and e-commerce experts. Members of the GSK Consumer Healthcare strategic leadership team attend DAB meetings and benefit from the mentorship of a DAB member. The role of the DAB is to challenge our thinking and help shape our digital strategy.

We continued to drive and deliver robust performance in quality and safety, with no issues arising from regulatory inspections.

Trust

Operating responsibly to deliver on our purpose and ensure the greatest possible long-term impact in improving health around the world.

Trust is one of our three long-term priorities and is essential to how we deliver our purpose. Society has high expectations of us, and the dynamic environment in which we operate presents us with big challenges and opportunities that we must respond to in order to remain commercially successful, uphold our reputation and build trust.

To ensure that we are able to identify and respond to these expectations effectively, we need to have mechanisms in place to engage with our key stakeholders. On page 9 we summarise the key trends for our industry and on page 11 we highlight how we engage across the different stakeholder groups.

With these external expectations in mind, in 2018 we published a new set of 13 commitments describing the actions we will take to help deliver societal value and build trust. Our ambitious commitments will drive progress in three key areas, underpinned by our fundamental commitments to running our business responsibly:

- Using our science and technology to address health needs
- Making our products affordable and available
- Being a modern employer

External benchmarking

- **ATMI:** topped the Access to Medicines Index and led the industry in the Antimicrobial Resistance Benchmark.
- **DJSI:** ranked 2nd in the DJSI World and Europe indices, placing us in the top 2% of our sector.
- **FTSE4Good:** member of the FTSE4Good Index since 2004.
- **CDP:** received a score of 'B' in CDP Carbon and CDP Water. Named a CDP Supplier Engagement Leader in CDP's supply chain programme.
- **Corporate Political Engagement Index:** ranked number one in Transparency International UK's 2018 Corporate Political Engagement Index.

Our approach to reporting

From 2019, we are reporting progress against our 13 commitments in our Annual Report to reflect the integration of our responsible business approach into our core business strategy. A performance data document is also available online to provide both current and previous years' data. These replace the annual publication of our Responsible Business Supplement.

GSK.com: 2018 performance data summary

Our commitments on Trust

Our purpose is to help people do more, feel better and live longer

Using our science and technology to address health needs	Making our products affordable and available	Being a modern employer

New medical innovations

Develop differentiated, high-quality and needed medicines, vaccines and consumer healthcare products to improve health

Global health

Improve global health impact through R&D for infectious diseases that affect children and young people in developing countries focusing on HIV, malaria and TB

Health security

Help the world to better prepare for future disease outbreaks with pandemic potential, and tackle antimicrobial resistance

Pricing

Improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business

Product reach

Use access strategies to reach 800 million underserved people in developing countries with our products by 2025

Healthcare access

Partner to improve disease prevention, awareness and access to healthcare services by 12 million people by 2025

Engaged people

Achieve and maintain a competitive employee engagement score by 2022

Inclusion and diversity

Accelerate our progress on inclusion and diversity, aiming for over 37% female representation in senior roles and recognition in global LGBT+ indices, by 2022

Health, wellbeing and development

Be a leading company in how we support employee health, wellbeing and personal development

Being a responsible business

Reliable supply

Commit to quality, safety and reliable supply of our products for patients and consumers

Ethics and values

Operate an ethical, values- driven culture, in which any issues are responded to swiftly and transparently

Data and engagement

Use data responsibly and transparently. Improve patient and scientific engagement

Environment

Reduce our environmental impact by one quarter by 2030

Science and technology

We are using our science and technology to address health needs. This is achieved through our medical innovation but we also have a responsibility to impact global health, particularly in the prevention and treatment of infectious diseases where we have world-leading scientific expertise. We have taken a proactive approach to addressing some of the biggest global health challenges, from preventing child deaths from infectious diseases to tackling the urgent public health threat from growing resistance to antibiotics.

New medical innovations

The biggest impact that we can have as a science-led global healthcare company is to successfully research and develop innovative products. Through our innovation, we aim to develop differentiated, high-quality and needed medicines, vaccines and consumer healthcare products to improve health. Read more about innovation within our three businesses on pages 13, 18 and 21.

Global health

Each year malaria, TB and HIV/AIDS kill almost 3 million people, the vast majority in developing countries. There remains huge need for innovation to address this. Our new global health strategy aims to improve global health impact through R&D for infectious diseases that affect children and young people in developing countries, focusing on HIV, malaria and TB.

The biggest contribution we can make is through our science, but to have the greatest impact, we need strong collaboration with others to ensure there is always a clear path for our innovation - end to end – from lab to patient. We have learned from our malaria vaccine and our chlorhexidine gel, *Umbipro*, that getting our innovation to patients in developing countries is extremely challenging where the traditional route to market is absent. We cannot alone carry the significant costs and risks associated with full clinical development, registration, manufacture and market access for new medicines and vaccines that don't have a commercial return. Without action to secure the right procurement models and partnerships, we risk the potential impact of these treatments being undermined. Instead we need new sustainable, collaborative models, where risk and costs are shared across partners, to translate scientific discoveries into benefit for the most vulnerable patients.

As well as addressing the disease burden in developing countries, our investment in global health also brings business benefits, which helps us to ensure that it is sustainable over the long term. The innovative science and platforms discovered through global health R&D can be applied commercially. For example, the adjuvant used in our RTS,S malaria vaccine has been pivotal to the success of our shingles vaccine, *Shingrix*, and is being used in our TB candidate vaccine, M72, and a number of other vaccines in development. Our discovery work in infectious diseases also has the potential to

We are continuing the trial with the International AIDS Vaccine Initiative, a long-standing GSK collaborator in HIV vaccine development, which has recently acquired Aeras' TB vaccine clinical programme.

GSK also has a number of promising TB medicines in development, including two that are in preparation for phase II trials. We are a member of several major public-private partnerships and programmes, such as the TB Drug Accelerator, which aim to speed up the discovery and development of novel compounds against the disease. We currently have three pre-clinical candidates and a strong discovery pipeline arising from these partnerships.

Malaria

In 2018, we received approval from the US FDA and the Australian Therapeutic Goods Administration for tafenoquine (*Krintafel/ Kozenis*), a single-dose radical cure for *P. vivax* malaria developed in partnership with the Medicines for Malaria Venture (MMV). This is the first new treatment for this type of relapsing malaria in over 60 years and marks a major contribution towards efforts to eradicate the disease. Together with our partners, MMV and PATH, we aim to provide the treatment at an affordable price in malaria endemic countries. We have submitted a regulatory filing for tafenoquine in Brazil, the first submission in a malaria endemic country.

Our RTS,S vaccine aims to protect children from *P. falciparum* malaria, which is most common in sub-Saharan Africa and responsible for most malarial deaths worldwide. Ghana, Kenya and Malawi have approved the use of RTS,S for malaria as part of a pilot vaccination implementation programme coordinated by the WHO. Clinical trials are also under way for a next-generation malaria vaccine.

HIV

Developing new formulations of HIV medications specifically for children, who are disproportionately affected by the disease in developing countries, is a global priority. Through ViiV Healthcare, we are progressing clinical development programmes for paediatric formulations of our medicines in partnership with the International Maternal Paediatric Adolescent AIDS Clinical Trials Network and the Paediatric European Network for Treatment of AIDS.

TB is a leading cause of death for people living with HIV and this co-infection is hard to treat. A phase IV study of ViiV Healthcare's *Tivicay* (dolutegravir) in combination with other antiretrovirals demonstrated positive results in people receiving treatment for both HIV and TB. The latest WHO HIV treatment guidelines recommend dolutegravir-based regimens as the preferred first and second-line treatment.

Other developing world diseases

As well as our main focus on HIV, TB and malaria, our early discovery work allows us to pursue the most promising scientific leads in other areas, both within GSK and through our Tres Cantos Open Lab and Vaccines Institute for Global Health.

uncover insights relevant to other disease areas that will benefit our portfolio in the long term.

Tuberculosis

We are aiming to develop a world-leading portfolio of first-in-class medicines for TB, including a candidate vaccine in a phase IIb trial. We have been working with non-profit scientific organisation Aeras to develop the vaccine with the support of the Bill & Melinda Gates Foundation, the UK's Department for International Development and others. We received positive interim results in 2018 for the phase IIb study, which showed that our candidate vaccine reduced the risk of developing pulmonary TB by half in adults with latent TB infection.

In 2018, we pledged an additional £5 million in funding for the Tres Cantos Open Lab Foundation. The Open Lab furthers R&D for diseases of the developing world by offering external researchers the potential to access GSK's compound library, screening tools and scientific expertise. As well as supporting research into TB and malaria, projects include neglected tropical diseases such as Chagas disease, leishmaniasis and sleeping sickness. Since it was established in 2010, the Open Lab has approved 74 projects, trained 85 scientists in global health drug discovery and delivered a significant pipeline of candidate medicines, including a novel TB drug candidate with treatment shortening potential.

Trust continued

The Vaccines Institute for Global Health also has around 40 scientists working on diseases such as Shigella, invasive nontyphoidal salmonella, typhoid and paratyphoid fever, and Group A streptococcus.

Health security

We are using our vaccines, medicines and scientific know-how to help the world to better prepare for future disease outbreaks with pandemic potential, and tackle antimicrobial resistance (AMR).

To prepare for future public health emergencies, we continue to advance rapid-response vaccine platform technologies and we are collaborating on the development of a universal influenza vaccine candidate.

AMR is one of the biggest health challenges the world faces and we are playing a leading role in the industry's response, ranking first among the large pharmaceutical companies in the Access to Medicine Foundation's AMR Benchmark in 2018.

Vaccines play a critical role in avoiding the need for antibiotics by preventing bacterial, viral and other infections. Our vaccines against diseases such as diphtheria, meningitis, pneumonia and pertussis have protected tens of millions of individuals from bacterial infections, which are major drivers of direct antibiotic prescribing. In addition, our vaccines for non-bacterial infections such as influenza, rotavirus and malaria prevent the development of diseases that can trigger the use of antibiotics, for example to treat secondary infections.

We are also committed to researching and developing new vaccines against infections that will reduce the need for antibiotics even further. For example, we are currently developing vaccines against RSV (a virus), as well as shigellosis and TB (both caused by bacteria) which are all drivers of current antibiotic use.

In our Pharmaceuticals pipeline, gepotidacin, is the first in a new class of antibiotics. In 2018, we worked with the UK government on the proposal to develop and test a new payment model that should incentivise much-needed R&D into new antibiotics from the pharmaceutical industry. We are pleased that the UK will be the first country in the world to progress this type of model, and have submitted gepotidacin to the programme.

We supported the creation of the Innovative Medicines Initiative's AMR Accelerator, which launched a call for proposals in 2018. This public-private partnership will aim to speed up the discovery and development of new medicines to treat or prevent resistant bacterial infections through collaboration and capability building.

Through our Survey of Antibiotic Resistance (SOAR) programme, we study, analyse and publish reports on antibiotic resistance at a local level and share the findings with HCPs and public health bodies to inform the development of local antibiotic prescribing guidelines. In 2018, we trained over 15,000 HCPs across 20 countries on the appropriate use of antibiotics.

GSK.com: Antimicrobial resistance

Affordability and availability

We are making our products affordable and available to more people around the world through responsible pricing, and strategic access programmes and partnerships.

In 2018, GSK topped the Access to Medicines Index for the sixth consecutive time. The assessment recognised us for having the largest proportion of our R&D pipeline dedicated to priority diseases, and for the creation of an integrated Global Health R&D unit to stimulate collaboration.

Pricing

We aim to improve the health of millions of people each year by making our products available at responsible prices that are sustainable for our business.

In developing countries, we use innovative pricing structures as part of our access strategies to extend product reach (see page 27). However, we recognise that pricing of pharmaceutical medicines and vaccines is also an important issue in developed countries, and we understand patient and payer concerns about affordability.

In the US, the pricing of all our product launches – including our most recent launches of *Trelegy Ellipta, Benlysta SC, Shingrix* and *Juluca* – incorporate specific market dynamics unique to the drug, as well as the profile of the new medicine or vaccine in the context of existing treatment options.

The average net price[1] for our products in the US has fallen by around 3% on average per year over the past five years. We also offer various types of patient assistance to help ensure appropriate access to our medicines, and in 2018 we provided prescribed medicines and vaccines to over 126,000 eligible uninsured patients through our Patient Assistance Programme.

In Europe, we engage with governments and payers to work towards sustainable health systems that support ongoing innovation. For example, the pricing of *Trelegy Ellipta* reflects economic value by demonstrating cost-effectiveness and innovation within an acceptable budget and offering a potential cost saving compared with alternatives.

We do not file patents for our medicines in least developed countries and low-income countries, and do not enforce historic patents that we

When setting the price of our medicines in developed markets, we apply a value-based approach to balance reward for innovation with access and affordability. We price our medicines according to the value and outcomes they bring to patients, providers and payers, while being sensitive to market and societal expectations.

1 Price after discounts, rebates or other allowances.

have in those countries. This allows generic companies to manufacture and supply generic versions of GSK medicines in those countries.

GSK.com: IP and access in developing countries

Product reach

We have set a new target to use access strategies to reach 800 million underserved people in developing countries with our products by 2025. These strategies include tiered pricing, product donations and voluntary licensing agreements to extend access through generic manufacturers. In 2018, our products reached over 102 million people through these access strategies.[1]

In accordance with our tiered pricing principles, we reserve our lowest vaccines prices for organisations such as Gavi, the Vaccine Alliance, which supports countries with a GNI per head of less than $1,580. Eight Gavi countries are now using our new four-dose vial presentation of our *Synflorix* pneumococcal vaccine, designed to address cold chain challenges in hot countries, and our *Rotarix* vaccine is available in 36 Gavi countries to protect against rotavirus. In 2018, we distributed around two million doses of our vaccine *Cervarix* in Zimbabwe in support of its multi-age cohort vaccination programme to protect over 800,000 girls against human papillomavirus. In 2018, we delivered 270 million doses of oral polio vaccine to UNICEF in support of the Global Polio Eradication Initiative, reaching over 54 million children.

Umbipro, our innovative chlorhexidine gel to prevent umbilical cord infections, has been approved in 13 countries so far and has already benefited over 30,000 newborns in Kenya. Created in partnership with Save the Children, this potentially life-saving product is available at an access price (not for profit, not for loss). In collaboration with USP and USAID, we will share manufacturing know-how to stimulate local production and wider access to quality-assured chlorhexidine in developing countries.

In 2018, ViiV Healthcare extended its voluntary licence agreements for dolutegravir with the UN-backed Medicines Patent Pool and our direct licensee Aurobindo to two further countries – Mongolia and Tunisia – to enable generic manufacturers to supply dolutegravir to more adults living with HIV. Our joint partnership with the Clinton Health Access Initiative, Unitaid and two generic manufacturers is also helping to catalyse the development, manufacture and supply of paediatric formulations of dolutegravir.

In 2018, we donated over 840 million albendazole tablets (8.5 billion over the last two decades) to the WHO to tackle neglected tropical diseases, helping to deworm millions of school children and free 14 countries of lymphatic filariasis (LF). Tackling LF and intestinal worms is part of our commitment with the WHO and other partners to help control or eliminate 10 of the 17 neglected tropical diseases by 2020.

Through our partnership with Americares, Direct Relief, IHP UK and MAP International, we also donated 150,000 units of essential medicines, including antibiotics and inhalers, for humanitarian and emergency response in countries such as Guatemala, South Sudan and Syria.

GSK.com: Access to medicines in developing countries

Healthcare access

We have set a new long-term target to partner to improve disease prevention, awareness and access to healthcare services for 12 million people by 2025. In 2018, we reached 4.2 million people through these partnerships.

This year, we have invested a further £10.5 million in improving health infrastructure in developing countries by training frontline health workers in partnership with Amref Health Africa, CARE International and Save the Children. This support is tailored to meet specific community needs and align with government health priorities. In 2018, this investment helped to train over 20,000 frontline health workers, and over two million people were directly reached with a health worker, healthcare service or health facility.[2]

As well as our efforts to combat malaria through R&D (see page 25), we have partnered with Comic Relief in Africa and South East Asia to support 21 local projects that improve awareness and prevention efforts and get treatment to the people who need it. Together, we reached more than one million people in 2018, including health workers and vulnerable populations such as pregnant women and young children.

Alongside local and global partner organisations, we continue efforts to remove stigma and support HIV education and prevention in at-risk communities around the world through ViiV Healthcare's Positive Action programmes for girls and women, adolescents, children, men who have sex with men (MSM) and transgender people. In 2018, for example, ViiV awarded grants of £2.3 million to support organisations working to prevent and treat paediatric HIV, and £1.8 million to support social science research in adolescent HIV. Our Positive Action for Children programme reached over 530,000 people in 2018 with interventions to alleviate the impact of HIV and AIDS on women and children's health.

Our partnership with Save the Children aims to combine the two organisations' global expertise, skills and energy to help reduce child mortality. In 2018, the partnership reached over 220,000 children under five (over 2.8 million children since 2013) with interventions including: widening immunisation coverage, accelerating access treatments and strengthening healthcare systems. We have extended our partnership over the next five years to support our shared ambition that no child under five should die from preventable causes.

With GSK Consumer Healthcare's heritage in specialist oral health, we know the importance of a healthy mouth. This year, we launched a five-year partnership with Smile Train to provide funding and expertise that will help more children get access to life-changing surgery for cleft lip and palate. We reached over 4,000 children in the first year through corporate donations and employee fundraising.

As a leader in pain relief and fever management, GSK's Consumer Healthcare business has also created the Allied Against Dengue campaign in India and South East Asia. The campaign was created to bring together key stakeholders and partners to prevent and treat outbreaks of dengue fever, a potentially fatal mosquito-borne disease.

In 2018, we trained over 1,000 healthcare workers and reached over 100,000 people through a range of programmes to mobilise communities and promote behaviour change.

Our contribution to community health programmes amounted to £224 million in 2018. This includes our support of access partnerships such as Comic Relief and Save the Children, in-kind product donations such as albendazole and those made through our Patient Assistance programme, and the volunteering time of our employees.

1 Total excludes reach through albendazole donations which will be assessed in 2025.
2 Health worker data is estimated based on 2017 reach through the same partner programmes and level of funding. Final 2018 data will be available in April 2019.

GSK.com: Access to healthcare partnerships
ViiVHealthcare.com: Positive Action programmes

Trust continued

Modern employer

As a modern employer, we want to make sure that everyone is empowered to be themselves, feel good and keep growing at GSK. We believe this will help us to attract, retain and motivate the very best people to support our business now and in the future.

Engaged people

Employee engagement is an important barometer to gauge how our people feel about working at GSK. We aim to achieve and maintain a competitive employee engagement score by 2022.

We now survey our employees twice a year to get more regular feedback about how we are doing on our long-term priorities and culture change. For our first global employee survey of the year in April 2018, we had a record high 84% response rate and the results showed we had strong employee engagement at 79%. For the second survey in September, we saw a one-point drop in engagement but it remained high at 78%.

As part of our culture change, we have encouraged our people to share their views and ideas on key topics through regular conversations hosted by our leaders, including Let's Talk sessions with our executive team. We also introduced a collaborative internal tech platform to enable employees to communicate and collaborate more informally, discuss the topics that matter to them, and share knowledge and perspectives to support faster decisions across the organisation. More than 68,000 users are active on this new online tool.

Inclusion and diversity

We take a progressive approach to inclusion and diversity because we want everyone to be themselves and bring their own perspectives to our business. Together, these unique perspectives and wide variety of personal experiences make our business stronger, enhancing our ability to innovate and respond to the diverse needs of patients and consumers around the world.

We want to accelerate our progress on inclusion and diversity, aiming for over 37% female representation in senior roles and recognition in global LGBT+ indices, by 2022.

In 2018, women made up 33% of our senior roles at SVP/VP level (up from 31% in 2017) and we maintained strong female representation at management level (45%). In January 2018, we signed up to the 30% Club gender campaign focused on achieving 30% female representation in senior management within FTSE 100 companies by 2020. GSK has already exceeded this target and remains committed to maintaining and improving on this.

The latest independent Hampton-Alexander Review of FTSE 100 companies found that GSK has the sixth highest proportion of women on the Board with 45.5% representation. Overall, we have increased our female senior executive population (our executive team and their

Women in management (%)

	2018	2017	2016	2015
SVP/VP	**33**	31	30	29
Director	**43**	43	42	40
Manager	**48**	47	46	45
Total	**45**	44	43	42

Employees by gender (number)

	Male	Female	**Total**
Board	6	5	**11**
Management*	9,704	8,051	**17,755**
Total	53,188	42,302	**95,490**

* Management: senior managers as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 which includes persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than the Board, including directors or undertakings included in the consolidated accounts.

We support development and career progression for high-performing female managers through our Accelerating Difference programme, which provided coaching and support for around 130 women in 2018. We also recruit and support women early in their careers, with women representing more than half of the intake of our graduate and MBA programmes and 35% of our apprentices in 2018.

We published our second gender pay gap report in 2018. Our gender pay gap for all permanent UK-based GSK employees is 2.15% (mean), outperforming the national average of 17.1%.

We do not tolerate harassment, unwelcome, unreasonable or offensive behaviour, or discrimination of any kind. This includes any form of sexual harassment and, in 2018, we included a module in our mandatory Code of Conduct training to reinforce our zero-tolerance approach. This emphasised the importance of bystander intervention to empower our employees to intervene if they see harassment occurring.

In September 2018, nearly 3,700 people at 150 locations took part in activities to raise awareness of our commitment to inclusion and diversity during Global Inclusion Week. As part of this, we launched new learning programmes focused on unconscious bias and resources to help build leaders' awareness of inclusion and diversity.

We have a Global Disability Council and a Global LGBT+ Council, as well as inclusion and diversity implementation groups. In addition, in 2018 we created new global gender and ethnicity councils, all of which will drive our diversity agenda with support from our employee resource groups. We achieved a top 10 listing for our LGBT+ Network Group at the British LGBT Awards and, in early 2019, the group was named the UK's 'Employee Network Group of the Year' by the Stonewall LGBT rights organisation.

In 2018, we pledged our support for the UN LGBTI Global Business Standards. In the US, GSK was named Best Place to Work for LGBT

direct reports) from 25.7% to 32.5% as our long-running programmes to create a strong female pipeline deliver results.

GSK is also one of 12 prominent healthcare and life science companies to join the Healthcare Businesswomen's Association Gender Parity Collaborative in the US, launched in 2018 to foster measurable gender parity progress in the industry.

Equality for the third consecutive year in the Human Rights Campaign's Corporate Equality Index and, in early 2019, we were ranked 24th in Stonewall's UK Workplace Equality Index. We are committed to removing barriers, increasing understanding and ensuring that those with disabilities have the same opportunities. We signed the Charter for Change at the 2018 UK government's Department for International Development Global Disability Summit, joining other organisations with a common aim to ensure rights, freedoms, dignity and inclusion for people with disabilities.

Health, wellbeing and development

We need resilient, motivated people with the right skills and knowledge to help us achieve our objectives. That is why we aim to be a leading company in how we support employee health, wellbeing and personal development.

Health and wellbeing

In 2018, we successfully rolled out a comprehensive preventive healthcare package for our employees – and their eligible dependants – in every country where we operate. The Partnership for Prevention programme, now covers over 200,000 people in every country in which we operate and includes up to 40 preventive healthcare services at little or no extra cost.

We provide programmes to help our people feel good by taking control of their health, managing their energy levels and adopting healthier behaviours – as well as giving them flexibility to manage their lives through life-friendly policies.

In 2018, more than 15,000 people took part in our energy and resilience programmes. Our personalised digital health platform was piloted by over 5,000 employees in Belgium and 38% said that they changed one or more health behaviours as a result. We will continue to roll out technology platforms to support a holistic approach to health and wellbeing in 2019.

GSK was named the World's Most Active Organisation by Virgin Pulse Global Challenge for the third year running, with over 15,500 employees collectively taking over 18 billion steps during May 2018. Participants reported increased productivity and lower stress levels.

Mental wellbeing is just as important as physical wellbeing and we raised awareness of this important issue on World Mental Health Day, encouraging people to seek support through our 24-hour confidential Employee Assistance Programme and other resources.

Preventing injuries and illnesses at work is fundamental to our people's health and wellbeing. Our reportable injury and illness rate has continued to decline from 0.24 per 100,000[1] hours worked in 2017 to 0.23 in 2018, and remains comparable with other leading companies in our sector.[2]

Development

We want our people to keep growing at every stage of their career. That's why development is one of four expectations for the company and we have a strong focus on improving the effectiveness of our people managers. In 2018, 89% of our employees had development plans in place and, in support of developing leaders, more than 2,000 managers also participated in leadership development programmes this year.

In 2018, we introduced One80 reviews for nearly 9,000 managers to help them improve based on feedback from their teams. Through a short survey, it measures leadership effectiveness in three key areas: knowing their people, delivering results and maximising potential. One80 is part of our performance management system and is designed to ensure our managers are role models for our values and expectations, as well as helping them enhance their leadership skills. We know from One80 scores that employees feel supported by managers in their development. The question "my manager provides highly effective coaching and guidance to support my development" scored an average of 3.8 out of 5 from 51,630 responses. We are encouraged by this and have aspirations to further improve on these scores.

GSK is now a member of the 5% Club, a group of companies committed to hiring young people in development programmes into at least 5% of UK roles. In 2018, 336 people joined our graduate development programmes globally and 165 began apprenticeships in the UK, Canada, Ireland, Singapore, Belgium and the US.

This year, employees contributed over 120,000 volunteering hours through our Orange Days and 63 employees went on PULSE assignments with 25 non-profit organisations in 31 countries to share their expertise and learn new skills. Our most recent volunteer assessment found that, after completing their assignment, 73% agreed that they brought new ideas and fresh ways of thinking or working to GSK.

GSK.com: Employee volunteering ▪ Training and development data

Reliable supply

Ensuring a high-quality, safe and reliable supply of our products for patients and consumers is a priority for all three of our businesses. Product shortages can happen for a variety of reasons, including supply disruptions and unexpected demand. Since launching our *Shingrix* vaccine, we have delivered more than 9 million doses globally, but the unprecedented demand has meant that some people have experienced supply shortages. We are working hard to build capacity and meet this long-term global demand and we are committed to communicating transparently on the actions we are taking.

In 2018, we conducted 1,650 audits of our suppliers' quality processes and 221 audits of clinical trials run by, or on behalf of GSK, to assess their quality and safety.

Detecting, monitoring, understanding and preventing side effects (pharmacovigilance) is important in evaluating the safety of pharmaceutical products, and we work with the WHO and other partners to enhance systems for reporting these. Through the TransCelerate Collaboration, we are working with others to promote

Our robust quality management system supports continuous improvement, helping us to maintain high standards for product quality and safety and comply with relevant regulations, including those on Good Manufacturing Practice, Good Pharmacovigilance Practice and Good Clinical Practice.

Of the 151 external regulatory inspections at our Pharmaceutical, Vaccines and Consumer Healthcare manufacturing sites in 2018, most found no issues or resulted in only minor observations. We address every issue, however minor, and regulatory authorities have accepted our proposed plans for corrective actions.

harmonised approaches and procedures for the clinical development and safety evaluation of drugs, and to implement key regulations.

Counterfeit GSK products present a risk to patient safety. We support efforts to prevent the manufacture and distribution of counterfeit GSK products by working closely with government bodies, international organisations (such as the World Customs Organization and the WHO), customs authorities and industry associations. We also conduct our own investigation and enforcement activities to tackle counterfeit GSK products. Our commitment to high standards of product quality and safety across the value chain helps to ensure a reliable supply, which is important for our performance (see the sections of this report on performance in our individual businesses).

GSK.com: Pharmacovigilance ▪ Anti-counterfeiting

1 2017 data has been restated from 0.23 to 0.24 due to incidents reported after the previous verification period.
2 Based on benchmarking data from the Pharmaceutical Safety Group.

Trust continued

Ethics and values

We are committed to creating an ethical, values-driven culture, in which any issues are responded to swiftly and transparently. We expect everyone at GSK to live our values and expectations, speak up if they have any concerns, engage appropriately with stakeholders and respect human rights. We also extend these ethical expectations to the third parties we work with.

Living our values and expectations

Together, our values (patient focus, integrity, respect and transparency) and expectations (courage, accountability, development and teamwork) help us to create the culture we want. They are included in our Code of Conduct, which we have updated to make it simpler and easier to use.

Every GSK employee and complementary worker is required to complete mandatory training on the Code of Conduct annually. In 2018, 98% of our employees and 91% of our complementary workers completed the training, which covered topics such as safety, health and wellbeing, third party oversight, data breach reporting, sexual harassment, and anti-bribery and corruption (ABAC).

We also introduced additional microlearning modules to be taken throughout the year to keep our values and expectations top of mind, and updated our discussion guides for leaders to engage with their teams about related topics. Further in-depth training for over 35,000 people used real-life examples of dilemmas experienced at GSK to help them understand how to manage ABAC risks relevant to their roles and reinforce our zero-tolerance approach to bribery and corruption.

In 2018, we assessed 18 different parts of the business against a values maturity matrix – including interviewing approximately 1,500 employees – to understand how well our values and expectations are embedded. Individual areas of the business are using insights from the assessments to put plans in place that further enhance the way our values are integrated into ways of working at GSK. Local examples include increasing opportunities for engagement with leadership teams to improve trust and enhancing employee recognition to encourage a greater sense of accountability.

GSK.com: GSK Code of Conduct

Reporting and investigating concerns

We encourage people to speak up if they have any concerns relating to unethical conduct or behaviour that is inconsistent with our values – or if they simply want to ask a question about how to apply our Code of Conduct.

Anyone within or outside GSK can raise concerns or speak to an independent third party through our integrity lines, confidentially or anonymously if they prefer. We take every reported concern very seriously and we review each one to understand whether a formal investigation is warranted. If our investigations show that an employee has breached our policies, we take appropriate disciplinary action.

In 2018, 2,842 employees were accused of misconduct; we reviewed all of these cases, and initiated 1,805 formal investigations. As a result, 940 employees were disciplined for policy violations, of whom 115 employees were dismissed or voluntarily left the organisation. A further 656 received other documented warnings. In other instances, action short of a documented warning was taken.

Employees disciplined in 2018: breakdown of types of policy violation (%)

Mandatory training completion	29%
Behaviour in the workplace	20%
Good manufacturing and distribution practices	11%
Marketing and promotional activities	8%
Expenses	4%
Protection of physical assets and security	3%
Other	25%

Political engagement

Everyone working for, or on behalf of, GSK must follow our Code of Conduct in their interactions with political stakeholders. Additionally our selection process for public policy groups includes criteria to ensure those groups share our values.

In 2018, GSK topped Transparency International UK's Corporate Political Engagement Index of 104 global companies operating in the UK, based on criteria such as political contributions, responsible lobbying and transparency in reporting.

We spent $4.57 million on federal lobbying activities in the US in 2018, which are registered on the US Federal Lobbying Register. The spend includes the cost of operating our office in Washington DC, and the cost of travel and consulting. The cost of representing our interests to EU institutions, published on the EU Transparency Register, was €1.73 million.[1] We also publish a list of our memberships in trade associations that may lobby indirectly on our behalf.

GSK does not make corporate political contributions. Our US employees may support individual candidates or political groups

financially through a Political Action Committee, which contributed $345,190 to state and federal candidates in 2018. A breakdown of this spend is available online.

GSK.com and online: EU Transparency Register ▪ US Federal Lobbying Register ▪ Trade association membership list ▪ Criteria for working with Public Policy Groups

1 These are the latest available figures, and 2018 figures will be available in April 2019 for submission to the EU's Transparency Register.

Human rights

GSK is committed to upholding the Universal Declaration of Human Rights and the core labour standards set out by the International Labour Organization. In 2018, as part of our commitment to implementing the UN Guiding Principles on Business and Human Rights, we reassessed our human rights risks to ensure we are focusing efforts where our business has the greatest potential to impact people.

Six priority areas were identified: access to healthcare; research practices; patient safety; labour rights; environment, health and safety; and privacy. An initial review found that there were appropriate measures in place to manage the human rights risks related to most of these areas, but identified the need to continue to strengthen our approach to managing third-party labour rights risks. We are developing actions to address this, and will continue to build our understanding and management of human rights risks, taking account of evolving external expectations and best practice.

GSK.com: Human rights ▪ Modern Slavery Act statement

Working with third parties

Our Third Party Oversight programme strengthens our management of risk in the supply chain by driving improvements in our network of third parties – including suppliers, distributors and other organisations with which there is a transfer of value – to ensure that they share our values and work to the ethical and business standards expected by GSK. The programme has now been rolled out across all areas of the business.

During 2018, over 23,000 risk assessments were completed, and over 1,400 third parties identified as high-risk have undergone detailed independent assessments by EcoVadis. In 2018, we also conducted 83 in-depth audits on health and safety, ethics and environment. While we will work with third parties to help them improve, if significant issues are not resolved, we may suspend or terminate their contract.

GSK.com: Working with third parties.

Data and engagement

We are committed to using data responsibly and transparently, and engaging with patients and healthcare providers to help meet patient needs. This includes treating data with respect, sharing the results of our clinical trials, integrating patient insights into our product development and providing healthcare professionals with the information they want in the way that they want it.

Using data responsibly and transparently

Data is becoming increasingly central to our business and the healthcare industry more broadly. Our digital, data and analytics strategy harnesses the power of data and technology to strengthen our business and make a real difference to patients around the world. We believe this will help our scientists develop innovative medicines more quickly and with higher probability of success than ever before, it will enhance clinical trials and improve interaction with healthcare providers, customers and consumers, and it will make our own processes more efficient.

Data privacy

We recognise that people are increasingly concerned about the protection, and inappropriate use of personal data, particularly when this is related to health. New EU regulations have also increased requirements on how companies use personal data. Loss or inappropriate use of personal information could have a serious impact, both on the individuals affected and on our business, and we take our responsibility for data and privacy very seriously.

In addition, people in key roles across the organisation are undergoing certification from an accredited external association to increase expertise and enable us to make informed decisions about handling personal data.

The protection of individuals' data and privacy is a high priority in our exclusive collaboration with 23andMe, which combines 23andMe's genetic expertise and advanced data science skills with GSK's extensive scientific capabilities and scale, to enhance the discovery and development of entirely new medicines and potential cures. 23andMe customers can choose to participate in research and contribute their information to the unique and dynamic database for the purpose of advancing scientific research. Participation is voluntary and customers are required to affirmatively consent to their data being used for research. Should they choose to participate, their information is aggregated so no individual will be identifiable to GSK.

Clinical trial transparency

As part of our long-standing commitment to data transparency for our clinical trials, we have published 2,484 clinical study reports and 6,427 summaries of results – positive and negative – from our trials on our clinical study register.

We also share anonymised patient-level data from 2,333 of our trials via www.clinicalstudydatarequest.com, which we launched five years ago to facilitate innovative data-driven research. It is now used by 19 other trial sponsors and funders. External researchers are granted access based on a review of the scientific merit of their research

We have developed a comprehensive suite of training to drive a culture where everyone at GSK takes personal responsibility for the correct handling of personal data. Our privacy principles ensure that our use of personal information is kept to the minimum necessary and is fair, transparent, accurate and secure. In 2018, we trained 113,000 of our employees and complementary workers on our privacy principles to help them understand how to apply them in their daily work and raise awareness of why privacy matters for all those who handle personal data.

proposal by an independent panel. Access to GSK trial data has been approved for 125 proposals since 2013.

GSK.com and online: GSK Privacy Notice ▪ GSK Clinical Study Register

Trust continued

Improve patient and scientific engagement

To improve the delivery of ground-breaking new therapies, we are strengthening our focus on patients' needs by seeking their insights across the business. In 2018, we began implementing new global standards on working with and supporting patients.

We also support several initiatives that are empowering patients to get more involved in the development of medicines through training, tools and dialogue – including the European Patients' Academy, PARADIGM (Patients Active in Research and Dialogues for an Improved Generation of Medicines) and Patient Focused Medicines Development.

We held Patient Advocacy Leaders Summits in Japan, Portugal and Switzerland and supported one in the US this year, to build relationships between GSK employees, patient advocates, health policy experts and industry. Representatives of patient organisations also provide insights through our European Health Advisory Board and our Respiratory Health Board.

To improve engagement with patients involved in our clinical trials, we have begun developing patient engagement plans for key assets to get their input on the development of trial protocols, improve their experience during the trial and make sure they are informed about the results when it is completed.

Through our engagement with HCPs, we aim to provide information on our products in the way that best suits them. In recent years, we have significantly strengthened our online resources and in-house medical capabilities to provide bespoke product information for HCPs.

In 2018, we updated our policy on working with HCPs, following consistent feedback that they prefer to learn about new products through peer-to-peer programmes with experts who have direct experience of our medicines. The update was designed to ensure that we continue to operate responsibly and improve how we help prescribers to understand new data and clinical experience with our innovative products. The Pharmaceuticals section of this report provides more detail on this policy change.

GSK.com: Patient engagement

Environment

Our new goal, by 2030, is to reduce our environmental impact by one quarter, cutting greenhouse gas emissions, reducing water impact and redirecting waste for beneficial use. This is underpinned by five new environmental commitments for 2030 (against a 2016 baseline) to:

- reduce operational carbon emissions (Scope 1 and 2) by 20%;
- reduce value chain carbon emissions (Scope 3) by 25% per £ billion revenue;
- source 60% of electricity from renewable sources;
- reduce total water use at each high-risk site by 30%;
- ensure all waste is repurposed for beneficial uses.

Carbon

We are committed to playing our part to address climate change. In 2018, we set new targets to cut our carbon footprint across the value chain, which are intended to be challenging but achievable. We also conducted a review of the reporting requirements of the Task Force for Climate-related Financial Disclosures (TCFD) and will be considering how we can use the guidelines to better understand and report the risks that climate change presents to our business. In early 2019, we were accredited by the Science Based Targets Initiative for a set of Scope 1, 2 and 3 targets in line with a level of decarbonisation required to keep global temperature increase below 2°C.

Globally, around 5% of our electricity came from renewable sources in 2018. We are targeting 60% by 2030, with an interim target of 30% by 2020 to further reduce our operational emissions.

In 2017 (our latest available data), Scope 3 emissions increased by less than 1%, but decreased by 8% per £1 billion revenue.[1] Our supply chain makes up the largest share (45%) of our value chain carbon footprint. We encourage suppliers to share best practices through the GSK Supplier Exchange, running 'kaizen' events to improve energy efficiency and recognising achievements through our Supplier Environmental Sustainability Awards.

Carbon emissions plus intensity ratios (as per regulations)

'000 tonnes CO_2e[2]	2018	2017	2016
Scope 1 emissions	**823**	865	889
Scope 2 emissions	**606**	694	700
Scope 3 emissions	**Full data available in next year's report**	18,152	17,897

Intensity ratios	2018	2017	2016
Scope 1 and 2 emissions/ sales revenue (tonnes CO_2e/£m)	**46.4**	51.5	56.0
Scope 1 and 2 emissions/ FTE (tonnes CO_2e/FTE)	**15.0**	15.8	16.0
Scope 3 emissions/£bn revenue (million tonnes CO_2e/£bn revenue)	**Full data available in next year's report**	0.6	0.64

Our overall value chain carbon footprint is made up of Scope 1 and 2 emissions from our own operations (14%) and Scope 3 emissions from our supplier base (48%) and the use of our products (34%).

In 2018, Scope 1 and 2 emissions were reduced by 8% through ongoing efficiency measures, investment in on-site generation of renewable energy and a reduction in the number of sites. In India, for example, we have saved over 24,700 tonnes of CO2e emissions over the past four years through investment in solar installations, a combined heat and power plant, and more efficient lighting, heating and manufacturing.

1 2018 figures will be available from April 2019.
2 Carbon emissions are calculated according to the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (revised edition).

In 2018, the emissions from the use of our products have increased by 4% since 2017, as we make medicines accessible to more people. Most of these emissions come from propellant gases used in Ventolin metered dose inhalers (MDIs). Over the last few years we have conducted detailed analysis to explore the requirements of developing a new propellant for MDIs with a lower carbon footprint. Our findings show that this would be extremely complex, requiring extensive R&D, significant changes to our manufacturing process and new clinical trials to test for efficacy and safety for patients.

Weighing up these challenges, and given there are no incremental benefits to patients, along with the need for us to allocate our capital investments to developing promising new medicines to improve health, we have therefore decided to instead focus our investment on our new generation dry powder inhaler technologies which do not release greenhouse gas emissions. Our entire new portfolio of inhaled medicines is delivered via the dry powder *Ellipta* inhaler which has a lifecycle carbon footprint around 24 times lower than a propellant-based inhaler,[1] based on an assessment that won GSK the Carbon Trust's Best in Product Carbon Footprinting Award in 2018. In addition, we support efforts to promote low-carbon inhalers where possible, such as the commitment made by the UK government, and to increase inhaler recycling for the recovery and reuse of HFA gas.

Water

While climate change must be tackled at a global level, water challenges are much more localised. We used 12.9 million cubic metres of water across our operations in 2018 (compared with 14.7 in 2017) and we are focusing our reduction programmes in the areas where we have the biggest overall water impact.

All our Pharmaceutical and Consumer Healthcare manufacturing sites have completed risk assessments to ensure compliance with our water stewardship standard by 2020. Through these assessments, we identified 13 high-risk sites, based on water scarcity, local water quality, health and social risks, and regulatory and reputational risks. These sites are now developing strategies to reduce their water impact. Our goal is to reduce our total water use at each high-risk site by 30% by 2030.

Waste

We have cut the amount of waste we produce by 7% since 2016, generating a total of 126,000 tonnes in 2018 (including 36,000 tonnes of hazardous waste).

Further reductions in the amount of waste created – or complete elimination of waste – is extremely challenging. Our new goal is for all our waste to be repurposed for beneficial uses by 2030. This avoids harmful environmental impacts from landfill and keeps materials, such as solvents, in circulation for use in new products.

In 2018, 71% of our sites achieved zero waste to landfill. Globally, 77% of our waste was recycled or incinerated with energy recovery.

Environmental stewardship

We are committed to moving towards deforestation-free sourcing for all key commodities purchased directly by GSK or indirectly on our behalf, although we recognise that this is a challenge due to the complex nature of our supply chains. To date, we have focused on paper packaging, palm oil and palm oil derivatives and have developed supplier selection criteria, as well as sourcing standards in conjunction with the Rainforest Alliance.

The packaging of our products plays an important role in delivering safe, stable and trusted medicines, vaccines and consumer healthcare products. However, GSK recognises the impact that plastic packaging has on the environment. We have a number of initiatives in place to reduce plastic use, increase use of recycled plastic content and encourage the recycling of plastic components. For example, ensuring our packaging is no larger in volume, weight and thickness than it needs to be to fulfil its function of protecting the product.

In 2018, we took steps to understand and quantify the amount of plastic packaging that we produce globally across our business. We are now using this information to evaluate how we can further reduce the impact that our plastic use has on the environment.

GSK.com: Environmental policies

For example, more than 1.5 million used inhalers have been recycled through our Complete the Cycle programme in the UK since it began in 2012.

1 For one year's treatment, use of propellant-based inhalers results in a carbon footprint of 228kg CO_2e compared with a carbon footprint of 9.6kg CO_2e from using *Ellipta* dry powder inhalers.

Risk management

Our risk management framework is well embedded and continually reviewed, with oversight at Board level through our Audit and Risk Committee, assisted by our Risk Oversight and Compliance Council. The framework enables the Board to identify, evaluate and manage our Principal Risks and is designed to support our long-term priorities. It provides our businesses with a framework for risk management and upward escalation of significant risks. In conjunction with our values and expectations and Speak Up processes, it ensures that the risks associated with our business activities are actively and effectively agreed and mitigated and provides reasonable assurance against material misstatement or loss. Each of our businesses is governed by a Risk Management and Compliance Board, which promotes the 'tone from the top', establishes the culture regarding risk and oversees internal controls. Our annual confirmation exercise ensures a consistent risk management approach across GSK which reinforces leader accountability.

Each Corporate Executive Team member performs a review of their key Principal Risks to ensure controls are in place – and wherever gaps are identified, clear plans are assigned to address them.

During the year, the Audit and Risk Committee considered GSK's risks and the strategies to address them. These reviews were undertaken through: annual business unit risk and assurance update reports; strategy papers for each of our most significant risks; and an annual risk review.

We have emphasised the importance of data privacy from an internal risk management perspective by separating Privacy as a new, stand-alone Enterprise Risk from the Information Security Enterprise Risk. Consequently, we now report on 11 Principal Risks, rather than 10. The risks are listed below with our assessment of the external macro environment and the risk exposure post mitigation. They are not in order of significance.

Risk	Assessment and mitigation activities
Patient safety Macro environment ↑ GSK exposure post mitigation →	– The macro risk level has increased on a global scale due to an expanding, strict and diverse regulatory environment, which is going to evolve further, as exemplified in China. In general the macro environment in the established US and European markets remains unchanged with patient safety and Good Pharmacovigilance Practices (GVP) remaining consistent. Plans are in place to ensure that GSK's approach to patient safety is not compromised by Brexit. – The GSK risk exposure remains unchanged. We are providing strong oversight to mitigate risk during implementation of organisational improvements to the local and central Pharmacovigilance model.
Product quality Macro environment → GSK exposure post mitigation →	– The macro risk level remained unchanged, with continuing industry-level regulatory scrutiny of data integrity, drug shortages caused by manufacturing issues, and the need for timely communication of issues with authorities. – The overall GSK exposure level remains unchanged; however, improvements in annual performance metrics reflect GSK's ongoing investment and improvement initiatives in facilities, operating systems and training.
Financial controls & reporting Macro environment → GSK exposure post mitigation ↓	– The macro level remains unchanged, as there has been no material increase in financial reporting requirements. – The GSK exposure level has reduced as a result of the successful completion of the US and intercompany system migrations onto the new ERP platform.
Anti-bribery & corruption (ABAC) Macro environment → GSK exposure post mitigation →	– The macro risk level remains unchanged with continued strict ABAC laws and scrutiny from government and regulators, and the high standards expected of corporations. – The GSK exposure level remains unchanged as we improved targeted training to those most exposed to bribery and corruption risks in their roles; revised and simplified applicable written standards; and continued to develop risk indicators intended to provide meaningful and useful data about the potential for corruption (e.g. financial crimes). We have reduced our exposure to ABAC risk through a business model change in some very high-risk markets and will continue to embed these changes into 2019. The SEC and DOJ investigations regarding third party advisers engaged by GSK in China are ongoing.

Commercial practices

Macro environment  GSK exposure post mitigation 

– The macro risk level has increased due to greater competitive pressure, increased regulatory enforcement and an expansion of digital engagement, where laws and regulations are still evolving.
– The GSK exposure level remains unchanged as we continue to enhance and maintain control over evolving commercial practices, notably the shift in marketing and sales practices utilising data analytics and e-commerce channels. In October 2018, GSK announced changes to the way we will engage expert practitioners to improve sharing of new data on our innovative medicines and vaccines for a limited time among healthcare practitioners. New controls and training have been implemented to support these changes while ensuring appropriate oversight and assurance across the markets.

ARC Report, see page 79
Principal risks and uncertainties, see page 241
Viability statement, see page 44
Internal Control Framework, see page 87

Risk	Assessment and mitigation activities
Privacy Macro environment → GSK exposure post mitigation →	– The macro risk level has increased due to new, more stringent data privacy legislation in multiple countries and the rise of enforcement by regulators. – The GSK exposure level remains unchanged following implementation of a new global privacy framework and operating model in the European Economic Area during 2018. This has resulted in the development of critical privacy expertise in compliance, legal, and business roles, along with the embedding of privacy controls within IT and third party oversight.
Research practices Macro environment → GSK exposure post mitigation →	– The macro risk level is increasing, primarily driven by the high rate of change to regulations and external ethical standards and by increasing data use and technological complexity. – The GSK exposure level remains unchanged as we continue to establish appropriate controls and a culture of continuous improvement, overseen by an enterprise risk governance structure.
Third party oversight (TPO) Macro environment → GSK exposure post mitigation →	– The macro environment remains unchanged as the industry continues to be vigilant about third-party risks in global sourcing and supply, and consumer and investor expectations mature. – The GSK exposure level remains unchanged. The TPO programme has been fully deployed. Due diligence for low-risk engagements is based on embedded process controls, relieving Business Owners of TPO activity without a significant change in risk appetite. High-risk engagements continue to require an engagement risk assessment and prescribed next steps. The risk-based approach proposed means that some low-risk issues may occur that will require a reactive response.
Environment, health & safety and sustainability (EHS&S) Macro environment → GSK exposure post mitigation →	– The macro risk level has increased due to greater emphasis on environment controls from regulators, activists and stakeholders. Particular focus areas include antimicrobial resistance related to manufacturing releases, the wider issue of pharmaceuticals in the environment (PiE) and increasing emerging market regulation. External scrutiny of our external supply chain for active ingredients (both for existing and pipeline assets) has also increased significantly. – The GSK exposure level remains unchanged. Risks associated with restructuring of the site network are being proactively managed. Mitigation and improvement plans have been established and are progressing through implementation.
Information security Macro environment → GSK exposure post mitigation →	– The macro risk level continues to increase as the threat against the pharmaceutical business and industry generally become more sophisticated and targeted, as evidenced by the Wannacry and NotPetya global incidents. – Despite this, the GSK exposure level remains unchanged due to further development of our programme to safeguard against cyber-attacks and protect critical information and systems, and our ability to balance the demands of regulation with our digital transformation, which involves increased data collection and analysis.
Supply continuity Macro environment → GSK exposure post mitigation →	– The macro risk level remains unchanged with ongoing stringent regulation, a continued US focus on contract manufacturers outside the UK/EU, and Brexit uncertainties.

– The overall GSK risk exposure level is unchanged. We have improved risk management of our supplier portfolio; reduced the complexity of our internal and external networks; and improved our crisis and continuity management framework. However, we have seen an increase in complexity with the introduction of a major serialisation change programme for the EU Falsified Medicines Directive coinciding with Brexit preparations.

Risk management continued

Risks associated with the proposed separation of GSK's Consumer Healthcare business

A separation of our Consumer Healthcare business may be dependent on a number of factors that are outside GSK's control, including any required shareholder and regulatory approvals, favourable conditions in public equity markets and public or private debt markets and changes in applicable law and regulation. Therefore, there can be no certainty that a separation will be completed as proposed (or at all). In addition, if a separation is completed, there can be no assurance that either GSK or Consumer Healthcare will realise the expected benefits of separation or that the separation will not adversely affect GSK or Consumer Healthcare or the value or liquidity of their respective shares.

Our approach to Brexit

In preparing for the UK's exit from the EU (Brexit), our overriding priority has been to maintain continuity of supply of our medicines, vaccines and consumer healthcare products to people in the UK and EU.

As a result, we have taken a risk-based approach to planning and mitigation, allocating costs of up to £70 million to implement relevant changes over the next one to two years, while the future relationship between the UK and EU is negotiated. We have made good progress in implementing our Brexit contingency plan in 2018. Our activity has included: arranging the retesting and certifying of our medicines in Europe; submitting marketing authorisation holder transfers; updating packaging; securing additional warehousing; and supporting employees in obtaining settled status or equivalent in both the UK and Europe. UK technical guidance, which outlines acceptance of testing from EU sites for a time-limited period, has allowed us to reduce some potential duplication in our supply chain in the short term.

Our Brexit plans prepare us for elements that are within our control. We have significant experience of maintaining resilient supply chains, and we have used existing processes to develop a new supply model based on the UK leaving the EU in March 2019. To minimise disruption to patients, we have also adjusted stock levels in both the UK and EU. Uncertainty remains about the new operating environment, and as a result we support efforts to secure a status quo operating period post-Brexit, and UK and EU preparations to minimise potential disruption to the supply of medicines to patients.

We anticipate subsequent and ongoing costs arising from Brexit could include further customs duties and will include the cost of duplicate testing and release of our products. We continue to estimate these potential costs at approximately £50 million per year. As more details emerge on how our business will need to change after Brexit, the assumptions underlying these forecasts could change, with consequent adjustments up or down. We will continue to revise our plans and their expected financial impact as negotiations and regulations develop. Over the longer term, we continue to believe that Brexit will not have a material impact on our business.

Group financial review

In this section

CFO's statement

"We continued to make progress in delivering against our strategy and the financial goals we have set out in our financial architecture"

I am pleased to report that the Group's results for 2018 demonstrate continued operational execution of our key strategic objectives with strong performances from all three businesses.

Sales

Group turnover was up 2% AER, 5% CER to £30,821 million. Pharmaceuticals sales were flat at AER but up 2% CER, driven primarily by growth in HIV sales and further progress by the new Respiratory products, *Nucala* and the *Ellipta* portfolio. This was partly offset by lower sales of *Seretide/Advair* and Established Pharmaceuticals. Overall Respiratory sales declined 1% AER but grew 1% CER.

Vaccines sales were up 14% AER, 16% CER, primarily driven by sales of *Shingrix* in the US and growth in influenza and Hepatitis vaccines, which also benefited from a competitor supply shortage, partly offset by declines in some Established Vaccines.

Consumer Healthcare sales declined 1% AER but grew 2% CER with broad-based growth in Oral health and Wellness partly offset by increased competitive pressures in Europe, the divestments of some smaller brands, including *Horlicks* and *MaxiNutrition* in the UK, as well as the impact of the implementation of the Goods & Services Tax (GST) in India.

Cost of sales

Cost of sales as a percentage of turnover was 33.2%, down 1.0 percentage points AER and 1.4 percentage points CER. This primarily reflected a favourable comparison with the write-downs of assets in 2017 related to the decision to withdraw *Tanzeum,* together with a more favourable product mix in Vaccines and Consumer Healthcare, partly offset by adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, and in Established Vaccines.

Selling, general and administration

SG&A costs as a percentage of turnover were 32.2%, up 0.1 percentage points at both AER and CER, reflecting growth of 3% AER, 5% CER. The increase primarily reflected higher restructuring costs and investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

Operating profit

Total operating profit was £5,483 million, up 34% AER, 43% CER, and showed strong progression on 2017. Higher charges for the re-measurement of the contingent consideration liability related to ViiV Healthcare were more than offset by a stronger operating performance, lower restructuring costs, lower asset impairment charges and a favourable comparison with the charges taken in 2017 related to US tax reform of £0.7 billion.

Adjusted operating profit was £8,745 million, up 2% AER, 6% CER, driven by margin growth in Vaccines and Consumer Healthcare. Pharmaceuticals operating profit was down 3% AER, but flat at CER, reflecting continued investment in our new products and a weaker gross margin in the face of ongoing pricing pressures.

Earnings per share

Our stronger operational performance helped to deliver improved earnings per share (EPS) for the Group. Total EPS more than doubled to 73.7 pence. Adjusted EPS was 119.4 pence up 7% AER, and up 12% CER.

Total EPS also benefited from a favourable comparison with charges in 2017 arising from the impact of US tax reform and a lower non-controlling interest allocation of Consumer Healthcare profits following the acquisition of Novartis' interest in our Consumer Healthcare business in June 2018.

These factors were partly offset by higher transaction-related charges arising from increases in the valuation of the liabilities for contingent consideration, put options and preferential dividends.

The Adjusted EPS growth of 12% CER was well ahead of the 6% CER increase in Adjusted operating profit, primarily as a result of the reduced non-controlling interest allocation of Consumer Healthcare profits and a lower Adjusted tax rate.

Cash generation

We have continued to drive a strong focus on greater cash discipline across the Group and I am pleased to report we made significant further progress this year, resulting in a net cash inflow from operations of £8,421 million (2017 – £6,918 million) and free cash flow of £5,692 million (2017 – £3,485 million). This increase was particularly driven by progress on working capital, despite the growth in the business, especially in inventory control and stronger collections. Reductions in capital expenditure, lower legal costs and higher

R&D expenditure was lower in 2018 compared with 2017 at £3,893 million on a Total basis and £3,735 million on an Adjusted basis. This reflected a favourable comparison with the impact of the Priority Review Voucher, purchased and used to accelerate registration of our first HIV two-drug regimen (dolutegravir and lamivudine) in 2017, as well as benefits from recent R&D prioritisation initiatives.

Savings from these initiatives are being used to build investments in a number of mid and late-stage clinical development programmes, particularly in oncology and functional genomics.

proceeds from intangible divestments also contributed. Cash conversion remains a key focus for 2019.

Net debt was £21.6 billion at 31 December 2018, compared with £13.2 billion at 31 December 2017, comprising gross debt of £26.1 billion and cash and liquid investments of £4.5 billion, including £0.5 billion reported within Assets held for sale. The increase in net debt from last year was primarily driven by our decision to buy-in the minority stake held by Novartis in our Consumer Healthcare business for £9.3 billion and an adverse currency translation impact of £0.8 billion.

Capital allocation

We have pursued a disciplined approach to capital allocation, reflected in the investment choices we made in 2018 and in the transactions we initiated to strengthen our business and improve our financial flexibility to support GSK's key strategic priorities. This culminated in the agreement announced in December last year to establish a new world-leading Consumer Healthcare Joint Venture that we intend to separate from the Group within three years of the transaction closing. This will give us a unique value creating opportunity to establish two leading global companies, each with appropriate balance sheets better able to support their respective future investment requirements, while continuing to offer shareholders attractive distributions.

Given the improvements in cash conversion and free cash flow generation across the Group over the last few years, we remain comfortable that we can support our future investment requirements. However, this new pathway for the Group gives us additional confidence and visibility in our ability to invest behind our first priority – strengthening the R&D pipeline.

Delivering cash returns to shareholders through dividends is also a priority. Dividends paid to shareholders in 2018 were £3.9 billion and we have delivered on the expectations we laid out, with a dividend of 80p per share for the year. We expect to maintain the dividend at the same level of 80p for 2019.

Viability statement

Our viability statement sets out our assessment of the prospects of the Group over the next three years and is presented on page 44.

Outlook

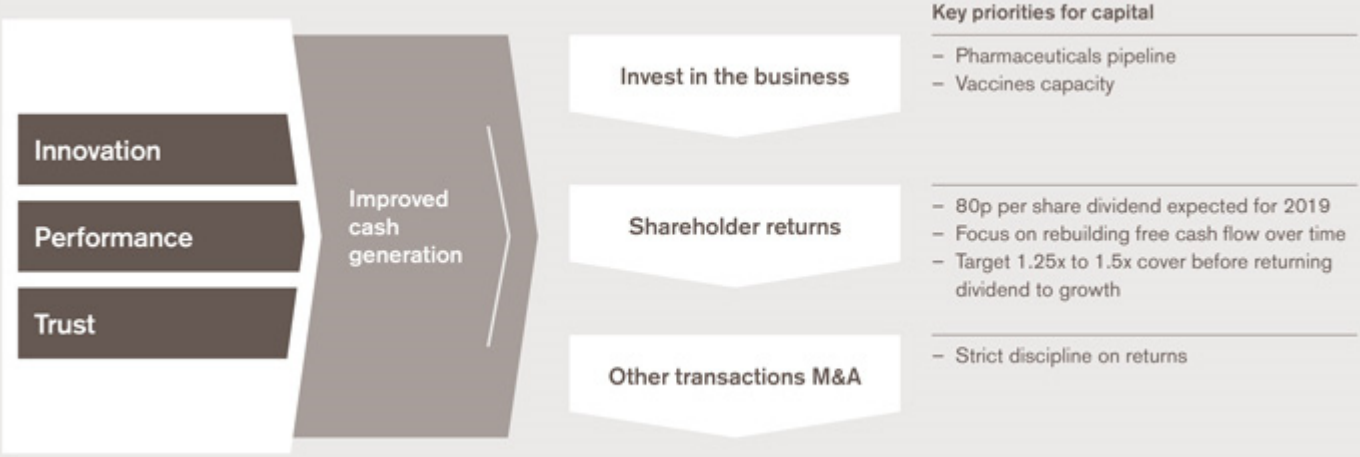
In 2019, we expect Adjusted EPS to decline in the range of -5 to -9% at CER. This guidance reflects the expected impact of the Tesaro acquisition and the significant investments we are making behind its products and pipeline. It also reflects the completion of the other recently announced transactions, as well as the approval of a substitutable generic competitor to *Advair* in the US.

2018 was a strong year of operational performance, with good progress made in commercial delivery of our new products, which together with continued focus on costs, has led to improved operating margins. The business is showing good momentum and, together with the important strategic moves we have made through the different transactions initiated in 2018, I am confident in the outlook and prospects for GSK.

Finally, this is my last report to shareholders as CFO, and I would like to thank them and our many partners for their support in my time with the company.

Simon Dingemans
Chief Financial Officer

Capital allocation framework



Group financial review

Reporting framework

Total and Adjusted results

The Group financial review discusses the operating and financial performance of the Group, its cash flows and financial position and our resources. The results for each year are compared primarily with the results of the preceding year.

Total results
Total reported results represent the Group's overall performance.

GSK also uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results are defined below and other non-IFRS measures are defined on page 42.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

GSK is committed to continuously improving its financial reporting, in line with evolving regulatory requirements and best practice and has made a number of changes in recent years. In line with this practice, GSK expects in 2019 to continue to review its reporting framework (including, where relevant, the use of alternative performance measures).

Adjusted results
Adjusted results exclude the following items from Total results, together with the tax effects of all of these items:

- amortisation of intangible assets (excluding computer software) and goodwill
- impairment of intangible assets (excluding computer software) and goodwill
- major restructuring costs, which include impairments of tangible assets and computer software, (under specific Board approved programmes that are structural, of a significant scale and where the costs of individual or related projects exceed **£25** million), including integration costs following material acquisitions
- transaction-related accounting or other adjustments related to significant acquisitions

Costs for all other ordinary course smaller scale restructuring and legal charges and expenses are retained within both Total and Adjusted results.

As Adjusted results include the benefits of Major restructuring programmes but exclude significant costs (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its Total results. The exclusion of other Adjusting items may result in Adjusted earnings being materially higher or lower than Total earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, Adjusted earnings will be higher than Total earnings.

GSK has undertaken a number of Major restructuring programmes in recent years in response to significant changes in the Group's trading environment or overall strategy, or following material acquisitions, including the Novartis transaction in 2015. Costs, both cash and non-cash, of these programmes are provided for as individual elements are approved and meet the accounting recognition criteria. As a result, charges may be incurred over a number of years following the initiation of a Major restructuring programme.

From time to time, the Group divests non-core investments, products and businesses and records the profit or loss on disposal as an Adjusting item. The most notable divestment in the past five years was the disposal of the Oncology business as one element of the three-part transaction with Novartis in 2015.

Significant legal charges and expenses are those arising from the settlement of litigation or government investigations that are not in the normal course and materially larger than more regularly occurring individual matters. They also include certain major legacy matters.

Reconciliations between Total and Adjusted results, providing further information on the key Adjusting items for 2017 and 2018 are set out on page 51 and for the five years to 2018 are set out on pages 232 to 234.

GSK provides earnings guidance to the investor community on the basis of Adjusted results. This is in line with peer companies and expectations of the investor community, supporting easier comparison of the Group's performance with its peers. GSK is not able to give guidance for Total results as it cannot reliably forecast certain material elements of the Total results, particularly the future fair value movements on contingent consideration and put options that can and have given rise to significant adjustments driven by external factors such as currency and other movements in capital markets.

- proceeds and costs of disposals of associates, products and businesses; significant legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations; other operating income other than royalty income, and other items
- the impact of the enactment of the US Tax Cuts and Jobs Act in 2017.

Reporting framework continued

Historical record of Adjusting items

The reconcilations between Total and Adjusted operating profit over the last five years can be summarised as follows:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Total operating profit	**5,483**	4,087	2,598	10,322	3,597
Intangible asset amortisation	**580**	591	588	563	575
Intangible asset impairment	**116**	688	20	206	150
Major restructuring	**809**	1,056	970	1,891	750
Transaction-related items	**1,977**	1,599	3,919	2,238	839
Divestments, significant legal and other items	**(220)**	(119)	(424)	(9,561)	545
US tax reform	**–**	666	–	–	–
Adjusted operating profit	**8,745**	8,568	7,671	5,659	6,456

The analysis of the impact of transaction-related items on operating profit for each of the last five years is as follows:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Novartis Consumer Healthcare Joint Venture put option	**658**	986	1,133	83	–
Contingent consideration on former Shionogi-ViiV Healthcare JV (including Shionogi preferential dividends)	**1,188**	556	2,162	1,874	768
ViiV Healthcare put options and Pfizer preferential dividends	**(58)**	(126)	577	–	–
Contingent consideration on former Novartis Vaccines business	**58**	101	69	108	–
Other adjustments	**131**	82	(22)	173	71
Transaction-related items	**1,977**	1,599	3,919	2,238	839

Full reconciliations between Total and Adjusted results for 2014–2018 are set out on pages 232 to 234.

Further explanations on the Adjusting items for 2018 are reported on page 51.

Non-controlling interests in ViiV Healthcare

Trading profit allocations

Because ViiV Healthcare is a subsidiary of the Group, 100% of its operating results (turnover, operating profit, profit after tax) are included within the Group income statement and then a portion of the earnings is allocated to the non-controlling interests owned by the other shareholders, in line with their respective equity shareholdings (Pfizer 11.7% and Shionogi 10%). Each of the shareholders, including GSK, is also entitled to preferential dividends determined by the performance of certain products that each shareholder contributed. As the relative performance of these products changes over time, the proportion of the overall earnings of ViiV Healthcare allocated to each shareholder will change. In particular, the increasing sales of dolutegravir-containing products have a favourable impact on the proportion of the preferential dividends that is allocated to GSK. Adjusting items are allocated to shareholders

Acquisition-related arrangements

As consideration for the acquisition of Shionogi's interest in the former Shionogi-ViiV Healthcare joint venture in 2012, Shionogi received the 10% equity stake in ViiV Healthcare and ViiV Healthcare also agreed to pay additional future cash consideration to Shionogi, contingent on the future sales performance of the products being developed by that joint venture, principally dolutegravir. Under IFRS 3 'Business combinations', GSK was required to provide for the estimated fair value of this contingent consideration at the time of acquisition and is required to update the liability to the latest estimate of fair value at each subsequent period end. The liability for the contingent consideration recognised in the balance sheet at the date of acquisition was £659 million. Subsequent re-measurements are reflected within other operating income/expense and within Adjusting items in the income statement in each period, and at 31 December 2018, the liability, which is discounted at 8.5%, stood at £5,937 million, on a post-tax basis.

based on their equity interests. GSK was entitled to approximately 85% of the Total earnings and 82% of the Adjusted earnings of ViiV Healthcare for 2018. Re-measurements of the liabilities for the preferential dividends allocated to Pfizer and Shionogi are included within other operating income.

Cash payments to settle the contingent consideration are made to Shionogi by ViiV Healthcare each quarter, based on the actual sales performance of the relevant products in the previous quarter. These payments reduce the balance sheet liability and hence are not recorded in the income statement. The cash payments made to Shionogi by ViiV Healthcare in 2018 were £793 million.

Because the liability is required to be recorded at the fair value of estimated future payments, there is a significant timing difference between the charges that are recorded in the Total income statement to reflect movements in the fair value of the liability and the actual cash payments made to settle the liability.

Group financial review continued

Reporting framework continued

The cash payments are reflected in the cash flow statement partly in operating cash flows and partly within investing activities. The tax relief on these payments is reflected in the Group's Adjusting items as part of the tax charge. The part of each payment relating to the original estimate of the fair value of the contingent consideration on the acquisition of the Shionogi-ViiV Healthcare joint venture in 2012 of £659 million is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition is reported within operating cash flows. Movements in contingent consideration payable to Shionogi were as follows:

	2018 £m	2017 £m
Contingent consideration at beginning of the year	**5,542**	5,304
Re-measurement through income statement	**1,188**	909
Cash payments: operating cash flows	**(703)**	(587)
Cash payments: investing activities	**(90)**	(84)
Contingent consideration at end of the year	**5,937**	5,542

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 31 December 2018, £815 million (31 December 2017 – £724 million) is expected to be paid within one year.

Exit rights

Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. Under the original agreements, GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of the Pfizer put option and, as a result, in accordance with IFRS, GSK did not recognise a liability for the put option on its balance sheet. However, during Q1 2016, GSK notified Pfizer that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £1,070 million. Consistent with this revised treatment, at the end of Q1 2016 GSK also recognised liabilities for the future preferential dividends anticipated to become payable to Pfizer and Shionogi on the Group's balance sheet.

The closing balances of the liabilities related to Pfizer's shareholding are as follows:

	2018 £m	2017 £m
Pfizer put option	**1,240**	1,304
Pfizer preferential dividend	**15**	17

Under the original agreements, Shionogi could also have requested GSK to acquire its shareholding in ViiV Healthcare in six month windows commencing in 2017, 2020 and 2022. GSK had the unconditional right, so long as it made no subsequent distribution to However, during Q1 2016, GSK notified Shionogi that it had irrevocably given up this right and accordingly recognised the liability for the put option on the Group's balance sheet during Q1 2016 at an initial value of £926 million. In Q4 2016, Shionogi irrevocably agreed to waive its put option and as a result GSK de-recognised the liability for this put option on the Group's balance sheet directly to equity. The value of the liability was £1,244 million when it was de-recognised.

GSK also has a call option over Shionogi's shareholding in ViiV Healthcare, which under the original agreements was exercisable in six month windows commencing in 2027, 2030 and 2032. GSK has now irrevocably agreed to waive the first two exercise windows, but the last six month window in 2032 remains. As this call option is at fair value, it has no value for accounting purposes.

Free cash flow

With the introduction of the new R&D strategy in 2018, GSK has revised its definition of free cash flow, a non-IFRS measure, to include proceeds from the sale of intangible assets. This balances with the expenditure on purchases of intangible assets, which is deducted in calculating free cash flow, and makes the treatment of intangible assets consistent with property, plant and equipment. Free cash flow is now defined as the net cash inflow from operating activities less capital expenditure on property, plant and equipment and intangible assets, contingent consideration payments, net interest, and dividends paid to non-controlling interests plus proceeds from the sale of property, plant and equipment and intangible assets, and dividends received from joint ventures and associates. It is used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies. Free cash flow growth is calculated on a reported basis. A reconciliation of net cash inflow from operations to free cash flow is set out on page 56.

Free cash flow conversion

Free cash flow conversion is free cash flow as a percentage of earnings.

Working capital conversion cycle

The working capital conversion cycle is calculated as the number of days sales outstanding plus days inventory outstanding, less days purchases outstanding.

CER and AER growth

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. CER% represents growth at constant exchange rates. £% or AER% represents growth at actual exchange rates.

its shareholders, to withhold its consent to the exercise of the Shionogi put option and, as a result, GSK did not recognise a liability for the put option on its balance sheet.

Our approach to tax

We understand our responsibility to pay an appropriate amount of tax, and fully support efforts to ensure that companies are appropriately transparent about how their tax affairs are managed. Tax is an important element of the economic contribution we bring to the countries in which we operate. We do not engage in artificial tax arrangements – those without business or commercial substance. We do not seek to avoid tax by the use of 'tax havens' or transactions we would not fully disclose to a tax authority. We have a zero tolerance approach to tax evasion and the facilitation of tax evasion.

We have a substantial business and employment presence in many countries around the globe and we pay a significant amount of tax, including corporation and other business taxes, as well as tax associated with our employees. At the same time, we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. As part of this approach we look to align our investment strategies to those countries where we already have substantial economic activity, and where government policies promote regimes which are attractive to business investment and R&D activity, and are transparent in their intent and available to all relevant tax payers. Examples include the UK Patent Box and Research and Development Expenditure Credit.

Tax risk is managed through robust internal policies and processes to ensure that we have alignment across our business and compliance with tax legislation. Our Audit & Risk Committee and the Board are responsible for approving our tax policies and risk management approach.

We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy.

In 2018, the Group corporate tax charge was £754 million (2017 – £1,356 million) on profits before tax of £4,800 million (2017 – £3,525 million) representing an effective tax rate of 15.7% (2017 – 38.5%). We made cash tax payments of £1,326 million in the year (2017 – £1,340 million). In addition to the taxes we pay on our profits, we pay duties, levies, transactional and employment taxes.

Our Adjusted tax rate for 2018 was 19.0% (2017 – 21.0%). Subject to any material changes in our product mix, or other material changes in tax regulations or laws in the countries in which we operate, and reflecting the ongoing impact of US tax reform, the Group's effective Adjusted tax rate for 2019 and the next several years is expected to be around 19%.

The Group's Total tax rate of 15.7% (2017 – 38.5%) for 2018 was lower than the Adjusted tax rate as the Total tax charge includes the effect of a reduced estimate of the 2017 impact of US tax reform, following additional guidance being released by the IRS, and a re-assessment of estimates of uncertain tax positions following the settlement of a number of open issues with tax authorities.

In 2018, there has been an ongoing public focus on the tax affairs of multinational companies as well as the continued focus on tax reform. This has been driven by the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives such as fiscal state aid investigations. The outputs from the OECD BEPS projects clarified the important principle that tax should be paid on profits throughout the supply chain, where the profit-making activity takes place. GSK is subject to taxation throughout its supply chain.

GSK supports the BEPS proposals, in particular the implementation of the OECD's recommendations on 'Country by Country Reporting', including the exchange of this data between tax authorities. This data, validated against existing information held on taxpayers, will support their ability to ensure that multinational groups pay an appropriate amount of tax.

The detailed tax implications of Brexit are dependent on the outcome of negotiations between the UK and EU, and are therefore currently unknown. However, we continue to work closely with the ABPI and BIA to analyse the potential implications for the industry in order to highlight key focus areas for the Government as part of its Brexit negotiations. The direct tax implications, in particular, are expected to be limited for GSK while the indirect tax implications may be more significant, including potential customs duty costs and additional transaction or administrative costs associated with managing import and export obligations on the movement of goods between the UK and the EU. Our approach to Brexit is set out on page 36.

Our Tax Strategy is set out in detail within the Public Policy positions section of our website. Further details about our corporate tax charges for the year are set out on page 161.

Group financial review continued

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, GSK has assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Directors confirm that they have a reasonable expectation that GSK will continue to operate and meets its liabilities, as they fall due, over the next three years. The Directors' assessment has been made with reference to GSK's current position and prospects, our strategy, the Board's risk appetite and GSK's principal risks and how these are managed, as detailed on pages 34 and 35 in the Strategic report. This assessment has been made assuming no separation of the new Consumer Healthcare Joint Venture during the three-year period under consideration.

The Board reviews our internal controls and risk management policies and approves our governance structure and code of conduct. It also appraises and approves major financing, investment and licensing decisions, and evaluates and monitors the performance and prospects of GSK as a whole. The focus is largely on improving our long-term financial performance through delivery of our company and three business strategies and aligned Innovation, Performance and Trust priorities.

The Board reviews GSK's strategy and makes significant capital investment decisions over a long-term time horizon, based on a multi-year assessment of return on capital, the performance of the company and three business units, and the market opportunity in the pharmaceutical, vaccines and consumer sectors. This approach is aligned to GSK's model of achieving balanced growth by investing in high quality, innovative products for patients, consumers and healthcare providers. However, since many internal and external parameters become increasingly unpredictable over longer time horizons, GSK focuses its detailed, bottom-up Plan on a three-year cycle. The Plan is reviewed at least annually by the Directors, who approve business forecasts showing expected financial impact. The Directors believe that a three-year assessment period for the Viability statement is most appropriate as it aligns with the Company's well established business planning processes that balance the long-term nature of investments in the pharmaceutical, vaccines and consumer sectors with an assessment of the period over which analysis of near-term business performance is realistically visible.

The Plan has been stress tested in a series of robust operational and principal risk downside scenarios as part of the Board's review on risk. These include the potential effects of Brexit, which are not expected to be material, although there may be some short-term disruption. The downside scenarios consider GSK's cash flows, sustainability of dividends, funding strategy, insurance provision and recovery as well as other key financial ratios over the period. These metrics have been subject to sensitivity analysis, which involves flexing a number of the main assumptions underlying the forecasts both individually and in combination, along with mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risk.

The following hypothetical downside scenarios have been evaluated:

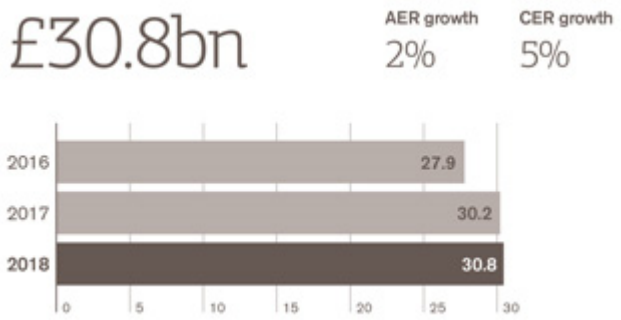
- **Scenario 1:** Business performance risks. These include key performance risks, including lower sales from new products; greater adverse impact from generic competition and other competitive launches to other GSK products; as well as possible supply and manufacturing challenges.
- **Scenario 2:** External and macroeconomic risks. This scenario reflects incremental risks to the business driven by outside factors, such as more intense competition, increased pricing pressure in both the US and Europe as well as the potential impact of material negative changes in the macro-economic and healthcare environment.
- **Scenario 3:** Principal risks. This scenario includes a severe assessment of the potential loss impact from the principal risks related to patient safety, product quality, supply chain continuity as well as anti-bribery and corruption and any consequent regulatory actions or fines, all of which could fundamentally threaten our operations. These risks are managed through mitigating activities described on pages 241 to 250.
- **Scenario 4:** Put option exercise. This scenario evaluates the additional funding requirements assuming the earliest potential exercise of the outstanding put option held by our partner in the HIV business.

The three-year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required and the respective level of funding flexibility and headroom.

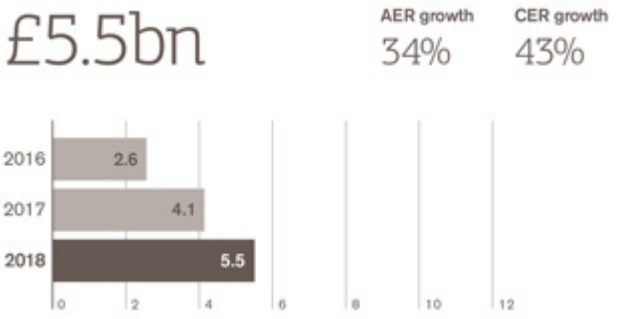
The results of this stress testing show that certain combinations of these hypothetical scenarios could increase funding demands on GSK and require mitigating changes to the Group's funding strategy. However, in light of the liquidity available to the Group and based on this analysis, the Directors have a reasonable expectation that, even under these most severe stress tests, the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

Total results

Turnover (£bn)



Total operating profit (£bn)



The total results of the Group are set out below.

	2018 £m	2018 % of turnover	2017 £m	2017 % of turnover	Growth £%	Growth CER%
Turnover	**30,821**	**100**	30,186	100	2	5
Cost of sales	**(10,241)**	**(33.2)**	(10,342)	(34.3)	(1)	–
Selling, general and administration	**(9,915)**	**(32.2)**	(9,672)	(32.0)	3	5
Research and development	**(3,893)**	**(12.6)**	(4,476)	(14.8)	(13)	(12)
Royalty income	**299**	**1.0**	356	1.1	(16)	(17)
Other operating income/(expense)	**(1,588)**	**(5.2)**	(1,965)	(6.5)		
Operating profit	**5,483**	**17.8**	4,087	13.5	34	43
Net finance costs	**(717)**		(669)			
Profit on disposal of interest in associates	**3**		94			

Group turnover

	2018 £m	2017 £m	Growth £%	Growth CER%
Pharmaceuticals	**17,269**	17,276	–	2
Vaccines	**5,894**	5,160	14	16
Consumer Healthcare	**7,658**	7,750	(1)	2
Group turnover	**30,821**	30,186	2	5

Group turnover was up 2% AER, 5% CER to £30,821 million.

Pharmaceuticals sales were flat at AER but up 2% CER, driven primarily by the growth in HIV sales and the new Respiratory products, *Nucala* and the *Ellipta* portfolio. This was partly offset by lower sales of *Seretide/Advair* and Established Pharmaceuticals. Overall Respiratory sales declined 1% AER but grew 1% CER.

Vaccines sales were up 14% AER, 16% CER, primarily driven by sales of *Shingrix* in the US and growth in influenza and Hepatitis vaccines, which also benefited from a competitor supply shortage, partly offset by declines in some Established Vaccines.

Consumer Healthcare sales declined 1% AER but grew 2% CER with broad-based growth in Oral health and Wellness partly offset by increased competitive pressures in Europe, the divestments of some smaller brands, including *Horlicks* and *MaxiNutrition* in the UK, as well as the impact of the implementation of the GST in India.

Group turnover by geographic region

	2018 £m	2017 £m	Growth £%	Growth CER%
US	**11,982**	11,263	6	9
Europe	**7,973**	7,943	–	(1)
International	**10,866**	10,980	(1)	4
	30,821	30,186	2	5

US sales grew 6% AER, 9% CER, driven by the growth of *Shingrix* and Hepatitis vaccines as well as strong performances from HIV and *Benlysta*, offset by declines in Established Pharmaceuticals and Respiratory.

Europe sales were flat at AER, but declined 1% CER, as declines in Established Pharmaceuticals, older HIV products, Meningitis vaccines and Consumer Healthcare more than offset growth from *Tivicay* and *Triumeq* and the new Respiratory products.

In International, sales declined 1% AER, but grew 4% CER, reflecting strong growth in *Tivicay*, *Triumeq* and the Respiratory portfolio. Sales in Emerging Markets declined 2% AER, but grew 4% CER.

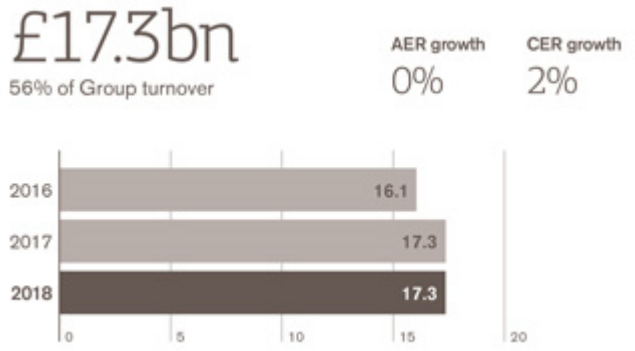
Share of after tax profits of associates and joint ventures	**31**	13		
Profit before taxation	**4,800**	3,525	36	46
Taxation	**(754)**	(1,356)		
Profit after taxation for the year	**4,046**	2,169	87	100
Profit attributable to shareholders	**3,623**	1,532		
Earnings per share (p)	**73.7**	31.4	>100	>100
Earnings per ADS (US$)	**1.96**	0.82		

Group financial review continued

Total results continued

Pharmaceuticals

Turnover (£bn)



Pharmaceuticals turnover

	2018 £m	2017 £m	Growth £%	Growth CER%
Respiratory	**6,928**	6,991	(1)	1
HIV	**4,722**	4,350	9	11
Immuno-inflammation	**472**	377	25	28
Established Pharmaceuticals	**5,147**	5,558	(7)	(4)
	17,269	17,276	–	2

Pharmaceuticals turnover in the year was £17,269 million, flat at AER, but up 2% CER, driven primarily by the growth in HIV sales, which were up 9% AER, 11% CER, to £4,722 million, reflecting share growth over the year in the dolutegravir portfolio: *Triumeq*, *Tivicay* and *Juluca*. Respiratory sales declined 1% AER, but grew 1% CER, to £6,928 million, with growth from our *Ellipta* portfolio and *Nucala* partly offset by lower sales of *Seretide/Advair*. Sales of Established Pharmaceuticals were down 7% AER, 4% CER.

In the US, sales declined 2% AER but grew 1% at CER, with growth in the HIV portfolio and *Benlysta* offsetting declines in Established Pharmaceuticals and Respiratory. In Europe, sales grew 2% AER, 1% CER, with growth in the Respiratory portfolio offsetting the continued impact of generic competition to *Epzicom* and *Avodart*. International was flat at AER but grew 5% CER, with growth driven by HIV and the new Respiratory portfolio.

Respiratory

Total Respiratory sales declined 1% AER, but grew 1% CER, with the US down 5% AER, 3% CER. In Europe, sales grew 5% AER, 4% CER and International grew 3% AER, 7% CER. Growth from our *Relvar/Breo Ellipta* sales grew 8% AER, 10% CER, to £1,089 million, primarily driven by growth in Europe, which was up 25% AER, 24% CER to £253 million, and in International, which was up 26% AER, 31% CER to £255 million. In the US, *Breo Ellipta* sales declined 3% AER, 1% CER, with volume growth of 27%, reflecting continued market share growth, offset by the combined impact of prior period payer rebate adjustments and increased competitive pricing pressure. *Anoro Ellipta* sales grew 39% AER, 42% CER to £476 million, driven primarily by share gains in the US. All of our *Ellipta* products, *Breo*, *Anoro*, *Incruse*, *Arnuity* and *Trelegy*, continued to grow market share in the US during the year.

Sales of New Respiratory products, comprising *Ellipta* products and *Nucala*, grew 35% AER, 38% CER to £2,612 million.

Seretide/Advair sales declined 23% AER, 21% CER to £2,422 million. Sales of *Advair* in the US declined 32% AER, 30% CER (9% volume decline and 21% negative impact of price) primarily reflecting increased competitive pricing pressures. In Europe, *Seretide* sales were down 19% AER, 20% CER to £599 million (13% volume decline and a 7% price decline). This reflected continued competition from generic products and the transition of the Respiratory portfolio to newer products. In International, sales of *Seretide* were down 7% AER, 4% CER, to £726 million (5% volume decline and 1% positive impact of price), with declines in markets with generic competition partly offset by growth from other developing markets.

HIV

HIV sales increased 9% AER, 11% CER to £4,722 million in the year, with the US up 8% AER, 10% CER, Europe up 7% AER, 6% CER and International up 14% AER, 20% CER.

The growth was driven by the increase in market share over the year in our dolutegravir products which grew 14% AER, 16% CER. This was partly offset by the decline in our established portfolio, particularly the impact of generic competition to *Epzicom/Kivexa* in Europe. *Triumeq*, *Tivicay* and *Juluca* (which was approved in the US in November 2017), recorded sales of £2,648 million, £1,639 million and £133 million, respectively, in the year. *Epzicom/Kivexa* sales declined 50% AER, 48% CER to £117 million.

Immuno-inflammation

Sales in the year were up 25% AER, 28% CER, primarily driven by *Benlysta*, which grew 26% AER, 29% CER to £473 million. In the US, *Benlysta* grew 24% AER, 27% CER to £420 million, benefiting from the launch of the sub-cutaneous formulation in the third quarter.

Established Pharmaceuticals

Sales of Established Pharmaceuticals were £5,147 million, down 7% AER, 4% CER, reflecting our efforts to maximise the value from this portfolio but also the benefit of certain post-divestment contract manufacturing sales and the first instalment of a 12-month *Relenza* supply contract in Europe.

Ellipta portfolio and *Nucala* was partly offset by lower sales of *Seretide/Advair*.

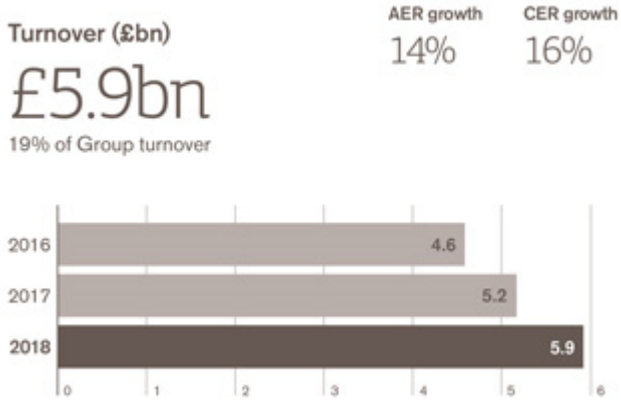
Sales of *Nucala* were £563 million in the year, up 64% AER, 66% CER, continuing to benefit from the global rollout of the product. US sales of *Nucala* grew 44% AER, 48% CER to £341 million, despite increased competition, benefiting from continued market expansion.

Sales of *Ellipta* products were up 29% AER, 32% CER, driven by continued growth in all regions. In the US, sales grew 24% AER, 27% CER, reflecting further market share gains, partly offset by the impact of continued competitive pricing pressures, particularly for ICS/LABAs. In Europe, sales grew 42% AER, 41% CER. Sales of *Trelegy Ellipta*, our new once-daily closed triple product, contributed £156 million to total *Ellipta* sales, benefiting from an expanded label in the US.

The *Avodart* franchise was down 7% AER, 5% CER to £572 million, primarily due to the loss of exclusivity in Europe, with the US impact now broadly annualised. *Coreg* franchise sales declined 63% AER, 63% CER following a generic *Coreg CR* entrant to the US market in Q4 2017. *Lamictal* sales declined 5% AER, 3% CER to £617 million.

Total results continued

Vaccines



Vaccines turnover

	2018 £m	2017 £m	Growth £%	Growth CER%
Meningitis	**881**	890	(1)	2
Influenza	**523**	488	7	10
Shingles	**784**	22	>100	>100
Established Vaccines	**3,706**	3,760	(1)	–
	5,894	5,160	14	16

Vaccines turnover grew 14% AER, 16% CER to £5,894 million, primarily driven by growth in sales of *Shingrix*, Hepatitis vaccines, which also benefited from a competitor supply shortage and higher sales of influenza products. This was partly offset by lower sales of DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix*) due to increased competitive pressures, particularly in Europe, and unfavourable year-on-year CDC stockpile movements in the US, together with lower *Synflorix* sales, reflecting lower pricing and demand in Emerging Markets.

Meningitis

Meningitis sales were down 1% AER but up 2% CER to £881 million. *Bexsero* sales grew 5% AER, 9% CER driven by demand and share gains in the US, together with continued growth in private market sales in International, partly offset by the completion of vaccination of catch-up cohorts in certain markets in Europe. *Menveo* sales declined 15% AER, 12% CER, primarily reflecting supply constraints in Europe and International as well as a strong comparator in 2017 and unfavourable year-on-year CDC stockpile movements in the US, partly offset by demand and share gains in the US.

Influenza

Fluarix/FluLaval sales grew 7% AER, 10% CER to £523 million, driven by strong sales execution in the US and improved sales in Europe, partly offset by increased price competition in the US.

Shingles

Shingrix recorded sales of £784 million, primarily in the US and Canada, driven by demand and share gains. US sales benefited from market growth in new patient populations now covered by immunisation recommendations, and *Shingrix* has now achieved a 98% market share.

Established Vaccines

Sales of our DTPa-containing vaccines (*Infanrix*, *Pediarix* and *Boostrix*) were down 8% AER, 7% CER. *Infanrix*, *Pediarix* sales were down 8% AER, 7% CER to £ 680 million, reflecting increased competitive pressures in Europe as well as unfavourable year-on-year CDC stockpile movements in the US, partly offset by stronger demand in International. *Boostrix* sales declined 8% AER, 7% CER to £517 million, primarily driven by the return to the market of a competitor in Europe and lower demand in International.

Hepatitis vaccines grew 17% AER, 19% CER to £808 million, benefiting from stronger demand in the US and Europe as well as a competitor supply shortage in the US.

Rotarix sales were down 1% AER but up 1% CER to £521 million, reflecting higher demand in Europe, partly offset by lower demand in International.

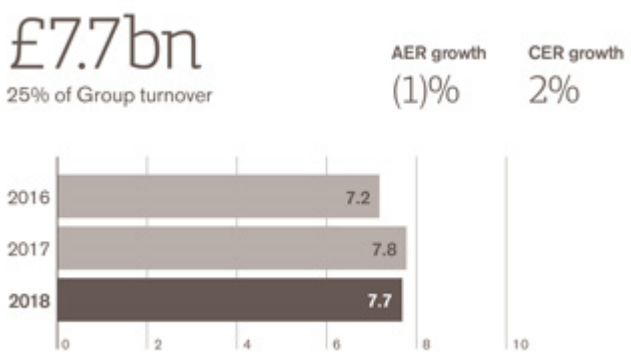
Synflorix sales declined 17% AER, 17% CER to £ 424 million, primarily impacted by lower pricing and demand in Emerging Markets.

Group financial review continued

Total results continued

Consumer Healthcare

Turnover (£bn)



Consumer Healthcare turnover

	2018 £m	2017 £m	Growth £%	Growth CER%
Wellness	**3,940**	4,001	(2)	1
Oral health	**2,496**	2,466	1	4
Nutrition	**643**	680	(5)	1
Skin health	**579**	603	(4)	(1)
	7,658	7,750	(1)	2

	2018 £m	2017 £m	Growth £%	Growth CER%
US	**1,828**	1,826	–	2
Europe	**2,340**	2,360	(1)	(2)
International	**3,490**	3,564	(2)	4
	7,658	7,750	(1)	2

Consumer Healthcare sales in the year declined 1% AER but grew 2% CER to £7,658 million, with broad-based growth in Oral health and Wellness partly offset by a decline in *Panadol* and lower sales of smaller brands. International markets performed strongly, particularly India and Brazil, whilst Europe was impacted by intensifying competitive pressure in the second half of 2018.

The aggregate impact from generic competition on *Transderm Scop* in the US, the divestment of *Horlicks* and *MaxiNutrition* in the UK and other small non-strategic brands and implementation of the GST in India was to reduce overall sales growth by approximately one percentage point.

Wellness
Wellness sales declined 2% AER but grew 1% CER to £3,940 million. Respiratory sales grew in low single digits, led by *Theraflu* supported by a strong cold and flu season earlier in the year as well as the *Theraflu PowerPods* launch in the US in the second half of the year. *Otrivin* grew in mid single digits, benefiting from new variants, and *Flonase* returned to growth following a weaker allergy season earlier this year.

Pain relief sales were flat as low single-digit growth in *Voltaren* and double-digit growth in *Fenbid* were offset by a decline in *Panadol* sales due to a change in the route-to-market model in South East Asia and the discontinuation of slow-release *Panadol* products in the Nordic countries.

Oral health
Oral health sales grew 1% AER, 4% CER to £2,496 million, as increased competitive pressures in Europe were offset by double-digit growth from *Sensodyne* in a number of International markets, including India and Turkey, and strong single-digit growth in the US driven by *Sensodyne Rapid*. Denture care grew in high single digits through the launch of *Corega Max* in Russia and Brazil, and Gum health delivered double-digit growth with continued strong *parodontax* performance in the US. Growth was also partly impacted by de-stocking in International.

Nutrition
Nutrition sales declined 5% AER but grew 1% CER to £643 million. Our Nutrition business in India performed strongly across the product portfolio including new innovations such as *Horlicks Protein+* which was launched earlier in the year. The impact of divestments and India GST implementation on growth was approximately eight percentage points.

Skin health
Skin health sales were down 4% AER, 1% CER to £579 million, largely driven by a decline in *Physiogel* and the divestment of several small non-strategic brands in the US, which had a negative impact on growth of one percentage point.

Total results continued

Cost of sales
Cost of sales as a percentage of turnover was 33.2%, down 1.0 percentage points at AER and 1.4 percentage points in CER terms compared with 2017. This primarily reflected a favourable comparison with £363 million of non-cash restructuring costs from the write-downs of assets in 2017 related to the decision to withdraw *Tanzeum*. The year also benefited from a more favourable product mix in Vaccines and Consumer Healthcare, particularly the launch of *Shingrix*, together with a further contribution from integration and restructuring savings. This was partly offset by continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, and in Established Vaccines, together with increased input costs and an adverse comparison with the benefit of a settlement for lost third-party supply volume in 2017 in Vaccines.

Selling, general and administration
SG&A costs as a percentage of turnover were 32.2%, 0.1 percentage points higher than in 2017 at both AER and CER, reflecting growth of 3% AER, 5% CER. The increase in SG&A costs primarily reflected higher restructuring costs, and investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines, partly offset by tight control of ongoing costs, particularly in non-promotional and back office spending, across all three businesses.

Research and development
R&D expenditure was £3,893 million (12.6% of turnover), 13% AER, 12% CER lower than in 2017. This reflected reduced restructuring costs primarily due to the comparison with the provision for obligations as a result of the decision to withdraw *Tanzeum* in 2017 and lower intangible impairments, a favourable comparison with the impact of the Priority Review Voucher purchased and utilised in H1 2017 and the benefit of our R&D prioritisation initiatives started in the second half of last year. This was partly offset by increased investment in the progression of a number of mid and late-stage programmes, particularly in Oncology, as well as provisions for the costs payable to a third party relating to the use of a Priority Review Voucher awarded in 2018.

	2018	2017 (revised)	Growth	
	£m	£m	£%	CER%
Discovery	**892**	1,007	(11)	(10)
Development	**1,332**	1,423	(6)	(5)
Facilities and central support functions	**600**	576	4	6
Total Pharmaceuticals	**2,824**	3,006	(6)	(5)
Vaccines R&D	**673**	621	8	8
Consumer Healthcare R&D	**238**	235	1	3
	3,735	3,862	(3)	(2)
Items reconciling Adjusted R&D to Total R&D	**158**	614		

The decline in Discovery reflected the transfer of certain Oncology assets to the Development phase. The decline in Development primarily reflects the comparison with the impact of the utilisation of the Priority Review Voucher in 2017 and the benefit of the prioritisation initiatives started in the second half of 2017. This was partly offset by increased investment in the progression of a number of mid and late-stage programmes, particularly in Oncology, and the provision for costs payable to a third party relating to the use of a Priority Review Voucher awarded in 2018. The growth in Technology, facilities and functional support costs primarily reflected increased investments in data analytics.

Royalty income

Royalty income was £299 million (2017 – £356 million), down 16% AER and 17% CER, the reduction primarily reflecting the patent expiry of *Cialis*, partly offset by an increase in the *Gardasil* royalty.

Other operating income/(expense)
Other operating expense of £1,588 million (2017 – £1,965 million) primarily reflected £1,846 million (2017 – £1,517 million) of accounting charges arising from the re-measurement of our contingent consideration liabilities related to the acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business, the value attributable to the Consumer Healthcare Joint Venture put option previously held by Novartis and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. The 2017 charges included the impact of US tax reform, which increased the fair value of these liabilities by £666 million. This was partly offset by the profit on a number of asset disposals, including tapinarof, as well as a gain arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, net of disposal costs.

The accounting charges were driven primarily by a £758 million re-measurement of the contingent consideration liability due to Shionogi, largely related to the regular updates of exchange rate assumptions to period end rates and sales forecasts following a number of studies including the GEMINI study completed in Q2 2018, together with a £430 million unwind of the discount. In addition, a net charge of £658 million reflected the re-measurement of the valuation of the Consumer Healthcare put option to reflect the price agreed with Novartis to acquire its shareholding, together with movements in exchange rates, largely offset by gains on hedging contracts.

Research and development	**3,893**	4,476	(13)	(12)

Group financial review continued

Total results continued

Operating profit

Total operating profit was £5,483 million in 2018 compared with £4,087 million in 2017. The increase in operating profit primarily reflected a favourable comparison with charges of £666 million in 2017 arising from the impact of US tax reform on the valuation of the Consumer Healthcare and HIV businesses and reduced restructuring costs and asset impairments. In addition, there was a contribution from sales growth, a more favourable mix, primarily in Vaccines and Consumer Healthcare, benefits from the prioritisation of R&D expenditure and comparison with the impact of the Priority Review Voucher utilised and expensed in 2017, alongside continued tight control of ongoing costs. This was partly offset by the increased impact of accounting charges related to the re-measurement of the liabilities for contingent consideration, put options and preferential dividends, continuing pricing pressure, particularly in Respiratory, increased input costs, the comparison with the benefit in Q2 2017 of a settlement for lost third-party supply volume in Vaccines, investments in new product support, particularly for launches in Respiratory, HIV and Vaccines and a reduction in royalty income.

Contingent consideration cash payments which are made to Shionogi and other companies reduce our balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in 2018 amounted to £1,137 million (2017 – £685 million). This included a cash milestone paid to Novartis of $450 million (£317 million) as well as cash payments made to Shionogi of £793 million (2017 – £671 million).

Net finance costs

Finance income	2018 £m	2017 £m
Interest and other income	**81**	63
Fair value movements	**–**	2
	81	65
Finance expense		
Interest expense	**(717)**	(720)
Unwinding of discounts on liabilities	**(15)**	(16)
Remeasurements and fair value movements	**3**	(4)
Other finance expense	**(69)**	6
	(798)	(734)

Net finance costs were £717 million compared with £669 million in 2017. This reflected higher debt levels following our acquisition from Novartis of its stake in the Consumer Healthcare Joint Venture in June 2018 as well as additional interest on tax arising from a historic tax settlement, recorded in Q3 2018, and an adverse comparison with a provision release of £24 million in Q4 2017 (both reflected in other finance expense). This was partly offset by the benefit of a one-off accounting adjustment to the amortisation of long-term bond

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £31 million (2017 – £13 million), primarily arising from our investment in Innoviva.

Profit before taxation

Taking account of net finance costs the profit on disposal of associates and the share of profits of associates, profit before taxation was £4,800 million compared with £3,525 million in 2017.

Taxation

	2018 £m	2017 £m
UK current year charge	**234**	199
Rest of world current year charge	**1,426**	1,928
Charge in respect of prior periods	**(492)**	(508)
Total current taxation	**1,168**	1,619
Total deferred taxation	**(414)**	(263)
Taxation on total profits	**754**	1,356

The charge of £754 million represented an effective tax rate on Total results of 15.7% (2017 – 38.5%) and reflected the different tax effects of the various Adjusting items. This includes the effect of a reduced estimate of the 2017 impact of US tax reform of £125 million, following additional guidance being released by the IRS and a re-assessment of estimates of uncertain tax positions following the settlement of a number of open issues with tax authorities. The reduction from the prior year effective tax rate on Total profits was driven primarily by a favourable comparison with the impact of US tax reform, which resulted in a number of charges in Q4 2017.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £423 million (2017 – £637 million). The reduction was primarily due to the lower allocation of Consumer Healthcare profits of £117 million (2017 – £415 million) following the buyout of Novartis' interest. This was partly offset by an increased allocation of ViiV Healthcare profits and higher net profits in some of our other entities with non-controlling interests.

Earnings per share

Total earnings per share was 73.7p, compared with 31.4p in 2017. The increase in earnings per share primarily reflected a favourable comparison with charges in 2017 arising from the impact of US tax reform, reduced restructuring costs and asset impairments, increased operating profits, a lower tax rate and a reduced non-controlling interest allocation of Consumer Healthcare profits, partly offset by higher transaction-related charges arising from increases in the valuation of the liabilities for contingent consideration, put options and preferential dividends.

Dividends

interest charges of £20 million in Q1 2018 (reported through interest expense), the benefit from older bonds being refinanced at lower interest rates and the translation impact of exchange rate movements on the reported Sterling costs of foreign currency denominated interest-bearing instruments.

Profit on disposal of associates

The profit on disposal of associates was £3 million (2017 – £94 million).

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend declared for 2017. See Note 16 to the financial statements, 'Dividends'.

Adjusting items

Adjusted results reconciliation 31 December 2018	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	30,821						30,821
Cost of sales	(10,241)	536	69	443	15	–	(9,178)
Gross profit	20,580	536	69	443	15	–	21,643
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Royalty income	299						299
Other operating income/(expense)	(1,588)			2	1,864	(278)	–
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	–
Share of after tax profits of associates and joint ventures	31						31
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)
Tax rate	*15.7%*						*19.0%*
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Profit attributable to non-controlling interests	423				251		674
Profit attributable to shareholders	3,623	471	97	643	1,484	(449)	5,869
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914

Adjusted results reconciliation 31 December 2017	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	US tax reform £m	Adjusted results £m
Turnover	30,186							30,186
Cost of sales	(10,342)	546	400	545	80	–		(8,771)
Gross profit	19,844	546	400	545	80	–		21,415
Selling, general and administration	(9,672)			248		83		(9,341)
Research and development	(4,476)	45	288	263		18		(3,862)
Royalty income	356							356
Other operating income/(expense)	(1,965)				1,519	(220)	666	–
Operating profit	4,087	591	688	1,056	1,599	(119)	666	8,568
Net finance costs	(669)			4		8		(657)
Profit on disposal of associates	94					(94)		–

Share of after tax profits of associates and joint ventures	13							13
Profit before taxation	3,525	591	688	1,060	1,599	(205)	666	7,924
Taxation	(1,356)	(134)	(176)	(209)	(619)	(251)	1,078	(1,667)
Tax rate	*38.5%*							*21.0%*
Profit after taxation	2,169	457	512	851	980	(456)	1,744	6,257
Profit attributable to non-controlling interests	637				42		114	793
Profit attributable to shareholders	1,532	457	512	851	938	(456)	1,630	5,464
Earnings per share	31.4p	9.4p	10.5p	17.4p	19.2p	(9.4)p	33.3p	111.8p
Weighted average number of shares (millions)	4,886							4,886

Group financial review continued

Adjusting items continued

Intangible asset amortisation and impairment
Intangible asset amortisation was £580 million compared with £591 million in 2017. Intangible asset impairments related to commercial and Pharmaceuticals R&D development assets were £116 million (2017 – £688 million). The 2017 charge included impairments related to the withdrawal of *Tanzeum* and a number of other commercial and Pharmaceuticals R&D development assets. These charges were non-cash items.

Major restructuring and integration
Within the Pharmaceuticals sector, the highly regulated manufacturing operations and supply chains and long lifecycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board-approved Major restructuring programmes. Major restructuring programmes, including integration costs following material acquisitions, are those that are structural and are of a significant scale where the costs of individual or related projects exceed £25 million. Other ordinary course smaller scale restructuring costs are retained within Total and Adjusted results.

The Board approved a new Major restructuring programme in July 2018, which is designed to significantly improve the competitiveness and efficiency of our cost base with savings delivered primarily through supply chain optimisation and reductions in administrative costs.

Total Major restructuring charges incurred in 2018 were £809 million (2017 – £1,056 million), analysed as follows:

	2018			2017		
	Cash £m	**Non-cash £m**	**Total £m**	Cash £m	Non-cash £m	Total £m
Combined restructuring and integration programme	**330**	**110**	**440**	531	525	1,056
2018 major restructuring programme	**279**	**90**	**369**	–	–	–
	609	**200**	**809**	531	525	1,056

Non-cash charges arising under the existing Combined restructuring and integration programme primarily related to the write-down of assets as part of the announced plans to reduce the manufacturing network. Cash charges arose from restructuring in the Europe and International Pharmaceuticals commercial operations and some manufacturing sites. Non-cash charges under the 2018 major restructuring programme primarily related to announced plans to restructure the manufacturing network and cash charges to date

The analysis of major restructuring charges by business was as follows:

	2018 £m	2017 £m
Pharmaceuticals	**563**	682
Vaccines	**104**	177
Consumer Healthcare	**72**	137
	739	996
Corporate & central functions	**70**	60
Total Major restructuring charges	**809**	1,056

The analysis of Major restructuring charges by Income statement line was as follows:

	2018 £m	2017 £m
Cost of sales	**443**	545
Selling, general and administration	**315**	248
Research and development	**49**	263
Other operating income/(expense)	**2**	-
Total Major restructuring charges	**809**	1,056

The Combined restructuring and integration programme delivered incremental annual cost savings in the year of £0.3 billion. Given its relatively recent launch, the benefit delivery this year from the 2018 major restructuring programme was not material.

The analysis of incremental annual cost savings in the year by Income statement line was as follows:

	2018 £bn	2017 £bn
Cost of sales	**0.2**	0.2
Selling, general and administration	**0.1**	0.4
Research and development	**-**	0.1
	0.3	0.7

Total cash charges for the Combined restructuring and integration programme are now expected to be approximately £4.1 billion with non-cash charges up to £1.6 billion. The programme has now delivered approximately £3.9 billion of annual savings, including an estimated currency benefit of £0.3 billion. The programme is now expected to deliver by 2020 total annual savings of £4.4 billion on a constant currency basis, including an estimated benefit of £0.4 billion from currency on the basis of 2018 average exchange rates.

The 2018 major restructuring programme is expected to cost £1.7 billion over the period to 2021, with cash costs of £0.8 billion and non-cash costs of £0.9 billion, and is expected to deliver annual savings of around £400 million by 2021 (at 2018 rates). These savings

under the 2018 major restructuring programme primarily related to restructuring in the US Pharmaceuticals commercial operation, as well as some manufacturing sites and central functions.

Total cash payments for the two programmes made in the year were £537 million (2017 – £555 million).

will be fully re-invested to help fund targeted increases in R&D and commercial support of new products.

Adjusting items continued

Transaction-related adjustments

Transaction-related adjustments resulted in a net charge of £1,977 million (2017 – £1,599 million). This primarily reflected £1,846 million of accounting charges for the re-measurement of the contingent consideration liabilities related to our acquisitions of the former Shionogi-ViiV Healthcare joint venture and the former Novartis Vaccines business, the value attributable to the Consumer Healthcare Joint Venture put option held by Novartis and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare.

Charge/(credit)	2018 £m	2017 £m
Consumer Healthcare Joint Venture put option	**658**	986
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	**1,188**	556
ViiV Healthcare put options and Pfizer preferential dividends	**(58)**	(126)
Contingent consideration on former Novartis Vaccines business	**58**	101
Other adjustments	**131**	82
Total transaction-related charges	**1,977**	1,599

A net charge of £658 million relating to the Consumer Healthcare Joint Venture represented the re-measurement of the valuation of the Consumer Healthcare put option to the agreed valuation of $13 billion (£9.2 billion on signing), together with an increase due to movements in exchange rates, which was largely offset by gains on hedging contracts.

The £1,188 million charge relating to the contingent consideration for the former Shionogi-ViiV Healthcare Joint Venture represented a £758 million increase in the valuation of the contingent consideration due to Shionogi, primarily as a result of updated exchange rate assumptions and sales forecasts following the GEMINI study completed in Q2 2018, together with a £430 million unwind of the discount.

Other adjustments included a £51 million charge reflecting the release of an indemnity asset relating to the tax treatment of inventory acquired as part of the Novartis Vaccines acquisition, with a corresponding offset in tax, as well as acquisition costs relating to our acquisition of Tesaro completed in January 2019 and the announced agreement with Pfizer to combine our consumer healthcare businesses.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in the year amounted to £1,137 million (2017 – £685 million). This included a cash milestone paid to Novartis of $450 million (£317 million) as well as cash payments made by ViiV Healthcare to Shionogi in relation to its contingent consideration liability (including preferential dividends) which amounted to £793 million (2017 – £671 million).

An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 41.

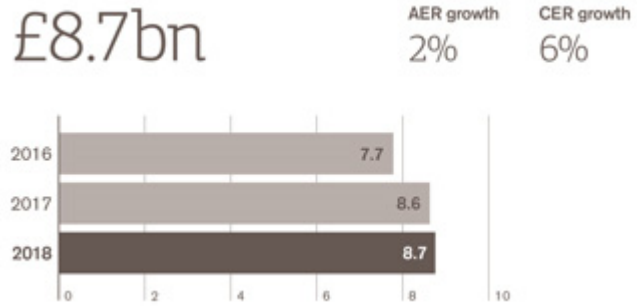
Divestments, significant legal charges and other items

Divestments and other items included the profit on a number of asset disposals, including tapinarof, a gain arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, which is expected to complete by the end of 2019, net of disposal costs, as well as equity investment impairments and certain other adjusting items. A charge of £33 million (2017 – £68 million) for significant legal matters included the benefit of the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £39 million (2017 – £192 million).

Group financial review continued

Adjusted results

Adjusted operating profit (£bn)



GSK uses a number of adjusted, non-IFRS, measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined on pages 40 to 42.

Cost of sales

	2018		2017		Growth	
	£m	**% of turnover**	£m	% of turnover	£%	CER%
Cost of sales	**(9,178)**	**(29.8)**	(8,771)	(29.1)	5	6

Cost of sales as a percentage of turnover was 29.8%, up 0.7 percentage points at AER, and 0.4 percentage points in CER terms compared with 2017. This primarily reflected continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, and Established Vaccines, as well as increased input costs and an adverse comparison with the benefit of a settlement for lost third-party supply volume in 2017 in Vaccines. This was partly offset by a more favourable product mix in Vaccines and Consumer Healthcare, particularly with the launch of *Shingrix*, as well as a further contribution from integration and restructuring savings in all three businesses.

Selling, general and administration

	2018		2017		Growth	
	£m	**% of turnover**	£m	% of turnover	£%	CER%
Selling, general and administration	**(9,462)**	**(30.7)**	(9,341)	(30.9)	1	4

SG&A costs as a percentage of turnover were 30.7%, 0.2 percentage points lower at AER than in 2017 and 0.3 percentage points lower on a CER basis. This reflected an increase of 1% AER, 4% CER, primarily resulting from increased investment in promotional product support, particularly for new launches in Respiratory, HIV and

Research and development

	2018		2017		Growth	
	£m	**% of turnover**	£m	% of turnover	£%	CER%
Research and development	**(3,735)**	**(12.1)**	(3,862)	(12.8)	(3)	(2)

R&D expenditure was £3,735 million (12.1% of turnover), 3% AER, 2% CER lower than 2017, primarily reflecting the favourable comparison with the impact of the Priority Review Voucher purchased and utilised in 2017 and the benefit of the prioritisation initiatives started in the second half of 2017. This was partly offset by increased investment in the progression of a number of mid and late-stage programmes, particularly in Oncology, as well as the provision for the costs payable to a third party relating to the use of a Priority Review Voucher awarded and utilised in 2018.

	2018	2017 (revised)		Growth
	£m	£m	£%	CER%
Discovery	**892**	1,007	(11)	(10)
Development	**1,332**	1,423	(6)	(5)
Facilities and central support functions	**600**	576	4	6
Total Pharmaceuticals	**2,824**	3,006	(6)	(5)
Vaccines R&D	**673**	621	8	8
Consumer Healthcare R&D	**238**	235	1	3
Research and development	**3,735**	3,862	(3)	(2)

Adjusted R&D expenditure declined 3% AER, 2% CER with Pharmaceuticals down 6% AER, 5% CER. The decline in Discovery reflected the transfer of certain Oncology assets to the Development phase. The decline in Development primarily reflects the comparison with the impact of the utilisation of the Priority Review Voucher in 2017 and the benefit of the prioritisation initiatives started in the second half of 2017. This was partly offset by increased investment in the progression of a number of mid and late-stage programmes, particularly in Oncology, and the provision for costs payable to a third party relating to the use of a Priority Review Voucher awarded in 2018. The growth in Technology, facilities and functional support costs primarily reflected increased investments in data analytics.

Royalty income

Royalty income was £299 million (2017 – £356 million), the reduction primarily reflecting the patent expiry of *Cialis*, partly offset by an increase in the *Gardasil* royalty.

Adjusted operating profit

Adjusted operating profit was £8,745 million, 2% higher at AER compared with 2017 and 6% higher at CER on a turnover increase of 5%. The Adjusted operating margin of 28.4% was flat at AER

Vaccines, partly offset by tight control of ongoing costs, particularly in non-promotional and back office spending, across all three businesses.

compared with 2017 but 0.5 percentage points higher on a CER basis. This reflected the benefit from sales growth at CER in all three businesses, a more favourable mix, primarily in Vaccines and Consumer Healthcare, the benefits of prioritisation of R&D expenditure and the comparison with the impact of the Priority Review Voucher utilised and expensed in 2017 as well as continued tight control of ongoing costs across all three businesses. This was partly offset by continuing pricing pressure, particularly in Respiratory, increased input costs, the comparison with the benefit in Q2 2017 of a settlement for lost third-party supply volume in Vaccines, investments in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines and a reduction in royalty income.

Adjusted results continued

Adjusted operating profit by business

	2018		2017		Growth	
	£m	Margin %	£m	Margin %	£%	CER%
Pharmaceuticals	**8,420**	**48.8**	8,667	50.2	(3)	–
Pharmaceuticals R&D	**(2,676)**		(2,740)		(2)	(1)
Pharmaceuticals	**5,744**	**33.3**	5,927	34.3	(3)	–
Vaccines	**1,943**	**33.0**	1,644	31.9	18	25
Consumer Healthcare	**1,517**	**19.8**	1,373	17.7	10	15
	9,204	**29.9**	8,944	29.6	3	7
Corporate & other unallocated costs	**(459)**		(376)		22	15
Adjusted operating profit	**8,745**	**28.4**	8,568	28.4	2	6

Pharmaceuticals operating profit

Pharmaceuticals operating profit was £5,744 million, down 3% AER but flat at CER on a turnover increase of 2% CER. The operating margin of 33.3% was 1.0 percentage points lower at AER than in 2017 and 0.9 percentage points lower on a CER basis. This primarily reflected the continued impact of lower prices, particularly in Respiratory, and the broader transition of our Respiratory portfolio, increased investment in new product support and a reduction in royalty income. This was partly offset by the benefits of prioritisation within R&D and a favourable comparison with the impact of the Priority Review Voucher purchased in 2017.

Vaccines operating profit

Vaccines operating profit was £1,943 million, 18% AER, 25% CER higher than in 2017 on a turnover increase of 16% CER. The operating margin of 33.0% was 1.1 percentage points higher at AER than in 2017 and 2.5 percentage points higher on a CER basis. This was primarily driven by enhanced operating leverage from strong sales growth, an improved product mix, including the impact of the launch of *Shingrix*, together with further restructuring and integration benefits. This was partly offset by the comparison with the benefit of a settlement for lost third-party supply volume recorded in 2017, increased supply chain costs and increased SG&A investments to support new launches and business growth.

Consumer Healthcare operating profit

Consumer Healthcare operating profit was £1,517 million, up 10% AER, 15% CER on a turnover increase of 2% CER. The operating margin of 19.8% was 2.1 percentage points higher than in 2017 and 2.2 percentage points higher on a CER basis. This primarily reflected improved product mix and manufacturing restructuring and integration benefits, as well as continued tight control of promotional and other operating expenses.

Net finance costs

Finance income	2018 £m	2017 £m
Interest and other income	**81**	63
Fair value movements	**–**	2
	81	65
Finance expense		
Interest expense	**(717)**	(720)
Unwinding of discounts on liabilities	**(5)**	(4)
Remeasurements and fair value movements	**3**	(4)
Other finance expense	**(60)**	6
	(779)	(722)

Net finance costs were £698 million compared with £657 million in 2017. The increase reflected higher debt levels following the acquisition from Novartis of its stake in the Consumer Healthcare Joint Venture in June 2018 as well as a £23 million increase in interest on tax arising from settlement of a historic tax matter and an adverse comparison with a provision release of £23 million in 2017 (both reflected in other finance expense). This was partly offset by the benefit of a one-off accounting adjustment to the amortisation of long-term bond interest charges of £20 million (reported through interest expense), the benefit from older bonds and the facilities utilised to fund the acquisition of Novartis' stake in the Consumer Healthcare Joint Venture being refinanced at lower interest rates and fair value gains on hedging instruments.

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £31 million (2017 – £13 million), primarily arising from our investment in Innoviva.

Taxation

Tax on Adjusted profit amounted to £1,535 million and represented an effective Adjusted tax rate of 19.0% (2017 – 21.0%). The reduction in the effective Adjusted tax rate in 2018 was primarily driven by the reduction in the US federal tax rate.

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £674 million (2017 – £793 million). The reduction was primarily due to the lower allocation of Consumer Healthcare profits of £118 million (2017– £344 million) following the buyout of Novartis' interest. This was partly offset by an increased allocation of ViiV Healthcare profits of £501 million (2017 – £414 million), and the changes in the proportions of preferential dividends due to each shareholder based on the relative performance of different products, as

well as increases in the allocation due to higher net profits in some of the Group's other entities with non-controlling interests.

Adjusted earnings per share

Adjusted EPS of 119.4p was up 7% AER, 12% CER, compared with a 6% CER increase in Adjusted operating profit, primarily as a result of a reduced non-controlling interest allocation of Consumer Healthcare profits and a lower Adjusted tax rate.

Group financial review continued

Cash generation and conversion

A summary of the consolidated cash flow statement is set out below.

	2018 £m	2017 £m
Net cash inflow from operating activities	**8,421**	6,918
Net cash outflow from investing activities	**(1,553)**	(1,443)
Net cash outflow from financing activities	**(6,389)**	(6,380)
Increase/(decrease) in cash and bank overdrafts	**479**	(905)
Cash and bank overdrafts at beginning of year	**3,600**	4,605
Increase/(decrease) in cash and bank overdrafts	**479**	(905)
Exchange adjustments	**8**	(100)
Cash and bank overdrafts at end of year	**4,087**	3,600
Cash and bank overdrafts at end of year comprise:		
Cash and cash equivalents	**3,874**	3,833
Cash and cash equivalents reported in assets held for sale	**485**	–
Overdrafts	**(272)**	(233)
	4,087	3,600

The net cash inflow from operating activities for the year was £8,421 million (2017 – £6,918 million). The increase primarily reflected improved operating profits, a smaller increase in working capital as a result of a reduction of inventory balances and a strong focus on collections, the favourable timing of payments for returns and rebates, and reduced legal settlement and restructuring payments, partly offset by a negative currency impact on operating profit.

Total cash payments to Shionogi in relation to the ViiV Healthcare contingent consideration liability in the year were £793 million (2017 – £671 million), of which £703 million was recognised in cash flows from operating activities and £90 million was recognised in contingent consideration paid within investing cash flows. These payments are deductible for tax purposes.

Capital expenditure and financial investment

Cash payments for tangible and intangible fixed assets amounted to £1,796 million (2017– £2,202 million) and disposals realised £453 million (2017 – £807 million). Cash payments to acquire equity investments amounted to £309 million (2017 – £80 million), primarily relating to 23andMe, and sales of equity investments realised £151 million (2017 – £64 million).

Free cash flow

Free cash flow is the amount of cash generated by the Group after meeting our obligations for contingent consideration, interest, tax and dividends paid to non-controlling interests, and after capital expenditure on property, plant and equipment and intangible assets.

	2018 £m	2017 (revised) £m
Free cash inflow	**5,692**	3,485

Free cash flow was £5,692 million for the year (2017 – £3,485 million). The increase primarily reflected improved operating profits, a smaller increase in working capital following a reduction of inventory balances and a strong focus on collections, the favourable timing of payments for returns and rebates, reduced legal settlement costs and restructuring payments, lower capital expenditure, including a favourable comparison with the impact of the Priority Review Voucher in 2017, increased disposals of intangible assets of £256 million (2017 – £48 million), primarily relating to the disposal of tapinarof, and reduced dividend payments to non-controlling interests. This was partly offset by a negative currency impact on operating profit and increased contingent consideration payments including the $450 million (£317 million) milestone paid to Novartis in the year.

Reconciliation of net cash inflow from operating activities to free cash flow

A reconciliation of net cash inflow from operating activities, which is the closest equivalent IFRS measure to free cash flow, is shown below.

	2018 £m	2017 (revised) £m
Net cash inflow from operating activities	**8,421**	6,918
Purchase of property, plant and equipment	**(1,344)**	(1,545)
Purchase of intangible assets	**(452)**	(657)
Proceeds from sale of property, plant and equipment	**168**	281
Proceeds from disposal of intangible assets	**256**	48
Interest paid	**(766)**	(781)
Interest received	**72**	64
Dividends from associates and joint ventures	**39**	6
Contingent consideration paid (reported in investing activities)	**(153)**	(91)
Contribution from non-controlling interests	**21**	21
Distributions to non-controlling interests	**(570)**	(779)
Free cash flow	**5,692**	3,485

Cash generation and conversion continued

Future cash flow

Over the long term, we expect that future cash generated from operations will be sufficient to fund our operating and debt servicing costs, normal levels of capital expenditure, obligations under existing licensing agreements, expenditure arising from restructuring programmes and other routine outflows including tax, pension contributions and dividends, subject to the 'Principal risks and uncertainties' discussed on pages 241 to 250. We may from time to time have additional demands for finance, such as for acquisitions, including potentially acquiring increased ownership interests in the ViiV Healthcare business where minority shareholders hold put options. We have access to multiple sources of liquidity from short and long-term capital markets and financial institutions for such needs, in addition to the cash flow from operations.

Investment appraisal and capital allocation

We have a strong framework for capital allocation, including a board to govern the allocation of capital between our businesses. We utilise a consistent cash return on invested capital (CROIC) methodology to prioritise investment across the Group as a whole, so that we can more effectively compare the returns from each of the businesses as we allocate capital between them. We also consider the impact on EPS and our credit profile where relevant.

The discount rate used to perform financial analyses is decided internally, to allow determination of the extent to which investments cover our cost of capital. For individual investments the discount rate may be adjusted to take into account specific country, business or project risk.

Working capital

	2018	2017
Working capital percentage of turnover (%)	**23**	22
Working capital conversion cycle (days)	**201**	191

The increase of 10 days in 2018 compared with 2017 was predominantly due to an adverse impact from exchange of approximately five days as well as a reduced denominator due to lower restructuring and impairment costs in 2018. Excluding these factors, significant improvements were made in working capital relative to the growth in the business, with reduced inventory as a result of tight control of inventory levels and stronger collections of receivables.

Group financial review continued

Financial position and resources

	2018 £m	2017 £m
Assets		
Non-current assets		
Property, plant and equipment	**11,058**	10,860
Goodwill	**5,789**	5,734
Other intangible assets	**17,202**	17,562
Investments in associates and joint ventures	**236**	183
Other investments	**1,322**	918
Deferred tax assets	**3,887**	3,796
Derivative financial instruments	**69**	8
Other non-current assets	**1,576**	1,413
Total non-current assets	**41,139**	40,474
Current assets		
Inventories	**5,476**	5,557
Current tax recoverable	**229**	258
Trade and other receivables	**6,423**	6,000
Derivative financial instruments	**188**	68
Liquid investments	**84**	78
Cash and cash equivalents	**3,874**	3,833
Assets held for sale	**653**	113
Total current assets	**16,927**	15,907
Total assets	**58,066**	56,381
Liabilities		
Current liabilities		
Short-term borrowings	**(5,793)**	(2,825)
Contingent consideration liabilities	**(837)**	(1,076)
Trade and other payables	**(14,037)**	(20,970)
Derivative financial instruments	**(127)**	(74)
Current tax payable	**(965)**	(995)
Short-term provisions	**(732)**	(629)
Total current liabilities	**(22,491)**	(26,569)
Non-current liabilities		
Long-term borrowings	**(20,271)**	(14,264)
Corporation tax payable	**(272)**	(411)
Deferred tax liabilities	**(1,156)**	(1,396)
Pensions and other post-employment benefits	**(3,125)**	(3,539)
Other provisions	**(691)**	(636)
Derivative financial instruments	**(1)**	–
Contingent consideration liabilities	**(5,449)**	(5,096)
Other non-current liabilities	**(938)**	(981)
Total non-current liabilities	**(31,903)**	(26,323)
Total liabilities	**(54,394)**	(52,892)
Net assets	**3,672**	3,489
Equity		
Share capital	**1,345**	1,343
Share premium account	**3,091**	3,019

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption to production and to ensure compliance with regulatory standards. A number of our processes use hazardous materials.

The total cost of our property, plant and equipment at 31 December 2018 was £22,488 million, with a net book value of £11,058 million. Of this, land and buildings represented £4,404 million, plant and equipment £4,582 million and assets in construction £2,072 million. In 2018, we invested £1,358 million in new property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites to support new product development and launches as well as to improve the efficiency of existing supply chains. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2018, we had contractual commitments for future capital expenditure of £665 million and operating lease commitments of £1,138 million. We believe that our property and plant facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under ‘Environment’ on page 32 and in Note 45 to the financial statements, ‘Legal proceedings’.

Goodwill

Goodwill increased to £5,789 million at 31 December 2018, from £5,734 million. The increase primarily reflected the impact of exchange movements, partly offset by the transfer of goodwill to assets held for sale.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2018 was £17,202 million (2017 – £17,562 million). The decrease in 2018 reflected the impact of amortisation and impairment of existing intangibles of £902 million and £134 million respectively, partly offset by the development costs capitalised during the year of £203 million, other additions of £327 million and the impact of exchange movements.

Investments in associates and joint ventures

We held investments in associates and joint ventures with a carrying value at 31 December 2018 of £236 million (2017 – £183 million). The market value at 31 December 2018 was £487 million (2017 – £372 million). The largest of these investments was in Innoviva Inc. which

Retained earnings	**(2,137)**	(6,477)
Other reserves	**2,061**	2,047
Shareholders' equity	**4,360**	(68)
Non-controlling interests	**(688)**	3,557
Total equity	**3,672**	3,489

had a book value at 31 December 2018 of £189 million (2017 – £147 million). The market value at 31 December 2018 was £440 million. See Note 20 to the financial statements, 'Investments in associates and joint ventures'.

Financial position and resources continued

Other investments

We held other investments with a carrying value at 31 December 2018 of £1,322 million (2017 – £918 million). The highest value investments held at 31 December 2018 were in 23andMe, which was acquired during the year and had a book value at 31 December 2018 of £229 million, and Theravance Biopharma, Inc. which had a book value at 31 December 2018 of £194 million (2017 – £199 million). The other investments included equity stakes in companies with which we have research collaborations, which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets

We had current derivative financial assets held at fair value of £188 million (2017 – £68 million) and non-current derivative financial assets held at fair value of £69 million (2017 – £8 million). £100 million of current derivative financial assets related to a derivative embedded in the agreement to divest *Horlicks* and other nutritional brands to Unilever plc. See Note 38 for further information. The majority of the remainder of these financial instruments related to foreign exchange contracts both designated and not designated as accounting hedges.

Inventories

Inventory of £5,476 million decreased from £5,557 million in 2017. The decrease primarily reflected tight control of inventory levels.

Trade and other receivables

Trade and other receivables of £6,423 million increased from £6,000 million in 2017, primarily reflecting the impact of higher sales, particularly in Vaccines, partly offset by better collections, together with exchange movements.

Deferred tax assets

Deferred tax assets amounted to £3,887 million (2017 – £3,796 million) at 31 December 2018.

Derivative financial instruments: liabilities

We held current and non-current derivative financial liabilities at fair value of £128 million (2017 – £74 million). This primarily related to foreign exchange contracts both designated and not designated as accounting hedges.

Trade and other payables

At 31 December 2018, trade and other payables were £14,037 million compared with £20,970 million at 31 December 2017. The decrease primarily reflected the elimination of the Consumer Healthcare Joint Venture put option following the buyout of Novartis' interest in the Consumer Healthcare Joint Venture on 1 June 2018. The buyout was

Provisions

We carried deferred tax provisions and other short-term and non-current provisions of £2,579 million at 31 December 2018 (2017 – £2,661 million). Other provisions at the year-end included £219 million (2017 – £186 million) related to legal and other disputes and £641 million (2017 – £504 million) related to Major restructuring programmes. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of the restructuring programme to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits

We account for pension and other post-employment arrangements in accordance with IAS 19. The deficits, net of surpluses, before allowing for deferred taxation were £995 million (2017 – £1,505 million) on pension arrangements and £1,379 million (2017 – £1,496 million) on unfunded post-employment liabilities. The decrease in net deficit was predominantly driven by higher discount rates that we used to discount the value of the liabilities, partly offset by a reduction in UK asset values.

Other non-current liabilities

Other non-current liabilities amounted to £938 million at 31 December 2018 (2017 – £981 million).

Contingent consideration liabilities

Contingent consideration amounted to £6,286 million at 31 December 2018 (2017 – £6,172 million), of which £5,937 million (2017 – £5,542 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £296 million (2017 – £584 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition following a milestone payment of $450 million made to Novartis in January 2018.

The liability due to Shionogi included £252 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 December 2018 was £15 million (2017 – £17 million). An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 41.

Of the contingent consideration payable (on a post-tax basis) at 31 December 2018, £837 million (2017 – £1,076 million) is expected to be paid within one year. The consideration payable for the acquisition of the Shionogi-ViiV Healthcare joint venture and the Novartis Vaccines business is expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, on a post-tax basis using post-tax discount rates. The Shionogi-ViiV Healthcare contingent consideration liability is

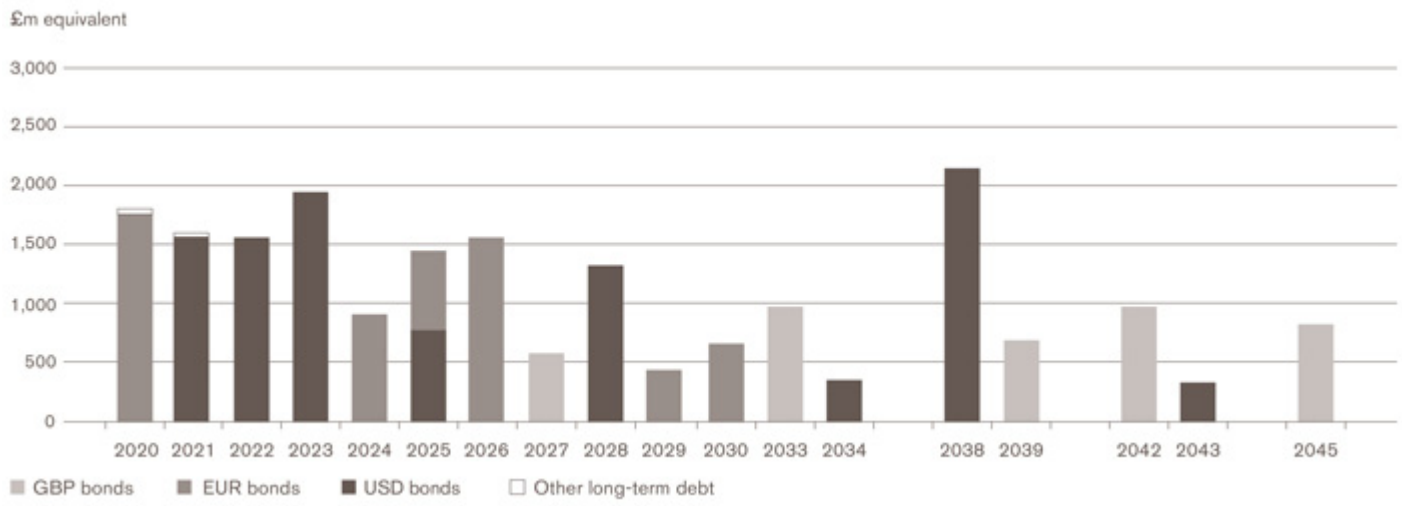
primarily funded by utilising the proceeds of bonds issued with maturity dates of between two and twelve years, in both the US and Europe, which raised $6 billion and €2.5 billion respectively. Committed bank facilities financed the remaining amount of the $13 billion transaction.

discounted at 8.5% and the Novartis Vaccines contingent consideration liability is discounted partly at 8% and partly at 9%.

Group financial review continued

Financial position and resources continued

Maturity profile of long-term debt



Net debt

	2018 £m	2017 £m
Cash, cash equivalents and liquid investments	**3,958**	3,911
Cash, cash equivalents reported in assets held for sale	**485**	–
Borrowings – repayable within one year	**(5,793)**	(2,825)
Borrowings – repayable after one year	**(20,271)**	(14,264)
Net debt	**(21,621)**	(13,178)

At 31 December 2018, net debt was £21.6 billion, compared with £13.2 billion at 31 December 2017, comprising gross debt of £26.1 billion and cash and liquid investments of £4.5 billion, including £0.5 billion reported within Assets held for sale, reflecting the agreement to divest *Horlicks* and the other Consumer Healthcare nutritional brands to Unilever plc. Net debt increased due to the £9.3 billion acquisition from Novartis of the remaining stake in the Consumer Healthcare Joint Venture in June 2018, the £0.2 billion investment in 23andMe, £0.8 billion of unfavourable exchange impacts from the translation of non-Sterling denominated debt, and dividends paid to shareholders of £3.9 billion, partly offset by increased free cash flow of £5.7 billion after the milestone payment to Novartis.

At 31 December 2018, GSK's cash and liquid investments were held as follows:

	2018 £m	2017 £m
Bank balances and deposits	**1,853**	1,715

Cash and liquid investments of £2.9 billion (2017 – £2.5 billion) were held centrally at 31 December 2018.

The analysis of cash and gross debt after the effects of hedging is as follows.

	2018 £m	2017 £m
Cash and liquid investments	**4,443**	3,911
Gross debt – fixed[1]	**(21,603)**	(16,229)
– floating	**(4,432)**	(805)
– non-interest bearing	**(29)**	(55)
Net debt	**(21,621)**	(13,178)

[1] Includes £1.3 billion equivalent of notes swapped from floating to fixed rates via interest rate swaps.

Movements in net debt

	2018 £m	2017 £m
Net debt at beginning of year	**(13,178)**	(13,804)
Increase/(decrease) in cash and bank overdrafts	**479**	(905)
Increase in liquid investments	**–**	(4)
Increase in long-term loans	**(10,138)**	(2,233)
Net repayment of short-term loans	**1,986**	3,200
Exchange movements	**(776)**	585
Other movements	**6**	(17)
Net debt at end of year	**(21,621)**	(13,178)

Bank balances and deposits reported in assets held for sale	**485**	–
US Treasury and Treasury repo only money market funds	**449**	1,715
Liquidity funds	**1,572**	403
Cash and cash equivalents	**4,359**	3,833
Liquid investments – Government securities	**84**	78
	4,443	3,911

Financial position and resources continued

Total equity

At 31 December 2018, total equity had increased from £3,489 million at 31 December 2017 to £3,672 million. This primarily reflected the impact of Total profit and the re-measurement gains on defined benefit plans offset by dividends paid and an unfavourable exchange translation impact in the year.

A summary of the movements in equity is set out below.

	2018 £m	2017 £m
Total equity at beginning of year	**3,489**	4,963
Implementation of IFRS 15	**(4)**	–
Implementation of IFRS 9	**(11)**	–
Total equity at beginning of year, as adjusted	**3,474**	4,963
Total comprehensive income for the year	**4,300**	2,882
Dividends to shareholders	**(3,927)**	(3,906)
Ordinary shares issued	**74**	56
Changes in non-controlling interests	**–**	(2)
De-recognition of liabilities with non-controlling interests	**(62)**	–
Shares acquired by ESOP Trusts	**–**	(65)
Share-based incentive plans	**360**	333
Tax on share-based incentive plans	**2**	(4)
Contributions from non-controlling interests	**21**	21
Distributions to non-controlling interests	**(570)**	(789)
Total equity at end of year	**3,672**	3,489

Share purchases

No shares were acquired by the Employee Share Ownership Plan (ESOP) Trusts in 2018 (2017 – £65 million). Shares are held by the Trusts to satisfy future exercises of options and awards under the Group share option and award schemes. A proportion of the shares held by the Trusts are in respect of awards where the rules of the scheme require us to satisfy exercises through market purchases rather than the issue of new shares. The shares held by the Trusts are matched to options and awards granted.

At 31 December 2018, the ESOP Trusts held 41.5 million (2017 – 66.7 million) GSK shares against the future exercise of share options and share awards. The carrying value of £161 million (2017 – £400 million) has been deducted from other reserves. The market value of these shares was £619 million (2017 – £882 million).

During 2018, no shares were repurchased by the company. At 31 December 2018, GSK held 414.6 million shares as Treasury shares (2017 – 414.6 million shares), at a cost of £5,800 million (2017 – £5,800 million), which has been deducted from retained earnings.

Commitments and contingent liabilities

Financial commitments are summarised in Note 41 to the financial statements, ‘Commitments’. Other contingent liabilities are set out in Note 32 to the financial statements, ‘Contingent liabilities’.

Contractual obligations and commitments

The following table sets out our contractual obligations and commitments at 31 December 2018 as they fall due for payment.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Loans	26,154	5,771	3,367	3,562	13,454
Interest on loans	9,418	714	1,383	1,187	6,134
Finance lease obligations	68	24	29	9	6
Finance lease charges	16	5	3	3	5
Operating lease commitments	1,138	223	316	228	371
Intangible assets	4,762	172	420	743	3,427
Property, plant & equipment	665	560	105	–	–
Investments	82	38	32	12	–
Purchase commitments	561	436	124	1	–
Pensions	238	75	119	44	–
Total	43,102	8,018	5,898	5,789	23,397

Commitments in respect of loans and future interest payable on loans are disclosed before taking into account the effect of derivatives.

We have entered into a number of research collaborations to develop new compounds with other pharmaceutical companies. The terms of these arrangements can include upfront fees, equity investments, loans and commitments to fund specified levels of research. In addition, we will often agree to make further payments if future ‘milestones’ are achieved.

As some of these agreements relate to compounds in the early stages of development, the potential obligation to make milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally, the closer the product is to marketing approval, the greater the probability of success. The amounts shown above within intangible assets represent the maximum that would be paid if all milestones were achieved, and include £4.2 billion which relates to externalised projects in the discovery portfolio. There was a reduction in the commitments in 2018 due to amendments made to existing agreements and obligations which have ceased.

In 2018, we reached a revised agreement with the trustees of the UK pension schemes to make additional contributions, to assist in eliminating the pension deficit identified as part of the 31 December

No ordinary shares were purchased in the period 1 January 2019 to 1 March 2019 and the company does not expect to make any ordinary share repurchases in the remainder of 2019.

2017 actuarial funding valuation. The table above includes this commitment but excludes the normal ongoing annual funding requirement in the UK of approximately £140 million. This funding commitment supersedes the previous agreement made in 2016. For further information on pension obligations, see Note 28 to the financial statements, ‘Pensions and other post-employment benefits’.

Group financial review continued

Financial position and resources continued

Contingent liabilities

The following table sets out contingent liabilities, comprising discounted bills, performance guarantees, letters of credit and other items arising in the normal course of business, and when they are expected to expire.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Guarantees	33	13	13	4	3
Other contingent liabilities	60	17	13	11	19
Total	93	30	26	15	22

In the normal course of business, we have provided various indemnification guarantees in respect of business disposals in which legal and other disputes have subsequently arisen. A provision is made where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute and this is included in Note 29 to the financial statements, 'Other provisions'.

We provide for the outcome of tax, legal and other disputes when an outflow of resources is considered probable and a reliable estimate of the outflow may be made. At 31 December 2018, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote.

The ultimate liability for such matters may vary significantly from the amounts provided and is dependent upon negotiations with the relevant tax authorities and the outcome of litigation proceedings, where relevant. This is discussed further in 'Principal risks and uncertainties' on pages 241 to 250 and Note 45 to the financial statements, 'Legal proceedings'.

ViiV Healthcare contingent consideration liability

The contingent consideration payable to Shionogi amounted to £5,937 million at 31 December 2018 (2017 – £5,542 million), discounted at 8.5%. The undiscounted value was £8,885 million at 31 December 2018.

Treasury policies

We report in Sterling and pay dividends out of Sterling cash flows. The role of Treasury is to monitor and manage the Group's external and internal funding requirements and financial risks in support of our strategic objectives. GSK operates on a global basis, primarily through subsidiary companies, and we manage our capital to ensure that our subsidiaries are able to operate as going concerns and to optimise returns to shareholders through an appropriate balance of debt and equity. Treasury activities are governed by policies approved annually by the Board of Directors, and most recently on 18 October 2018. A Treasury Management Group (TMG) meeting, chaired by our Chief Financial Officer, takes place on a regular basis to review Treasury activities. Its members receive management information relating to these activities.

Treasury operations

The objective of GSK's Treasury activities is to minimise the post-tax net cost of financial operations and reduce its volatility in order to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates.

Our long-term credit rating with Standard and Poor's is A+ (negative outlook) and with Moody's Investor Services ('Moody's') is A2 (negative outlook). Our short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

Our policy is to borrow centrally in order to meet anticipated funding requirements. Our cash flow forecasts and funding requirements are monitored by the TMG on a regular basis. Our strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

Each day, we sweep cash from a number of global subsidiaries to central Treasury accounts for liquidity management purposes.

Interest rate risk management

Our objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

Foreign exchange risk management

Foreign currency transaction exposures arising on external trade flows are not normally hedged. Foreign currency transaction exposures arising on internal trade flows are selectively hedged. Our objective is

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

Our financial strategy, implemented through the Group's Financial architecture, supports GSK's strategic priorities and it is regularly reviewed by the Board. We manage the capital structure of the Group through an appropriate mix of debt and equity. We continue to manage our financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets.

to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. GSK's internal trading transactions are matched centrally and we manage inter-company payment terms to reduce foreign currency risk. Foreign currency cash flows can be hedged selectively under the management of Treasury and the TMG. These include hedges of the foreign exchange risk arising from acquisitions and disposals of assets. Where possible, we manage the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

Treasury policies continued

In order to reduce foreign currency translation exposure, we seek to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars, Euros and Sterling. Borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas Group assets. The TMG reviews the ratio of borrowings to assets for major currencies regularly.

Counterparty risk management

We set global counterparty limits for each of our banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Treasury's usage of these limits is monitored daily by a Corporate Compliance Officer (CCO) who operates independently of Treasury. Any breach of these limits would be reported to the CFO immediately.

The CCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies Treasury so that changes can be made to investment levels or to authority limits as appropriate. In addition, relationship banks and their credit ratings are reviewed regularly and a report is presented annually to the TMG for approval.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS, as adopted for use in the European Union, and also with IFRS as issued by the IASB, following the accounting policies approved by the Board and described in Note 2 to the financial statements, 'Accounting principles and policies'.

We are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

The critical accounting policies relate to the following areas:

- Turnover
- Taxation (Note 14)
- Legal and other disputes (Notes 29 and 45)
- Intangible asset impairments (Note 19)
- Business combinations (Note 38)
- Pensions and other post-employment benefits (Note 28).

Information on the judgements and estimates made in these areas is given in Note 3 to the financial statements, 'Key accounting judgements and estimates'.

Turnover

In respect of the Turnover accounting policy, our largest business is US Pharmaceuticals, and the US market has the most complex arrangements for rebates, discounts and allowances. The following briefly describes the nature of the arrangements in existence in our US Pharmaceuticals business:

- The US Medicaid programme is a state-administered programme providing assistance to certain poor and vulnerable patients. In 1990, the Medicaid Drug Rebate Program was established to reduce State and Federal expenditure on prescription drugs. In 2010, the Patient Protection and Affordable Care Act became law. We participate by providing rebates to states. Accruals for Medicaid rebates are calculated based on the specific terms of the relevant regulations or the Patient Protection and Affordable Care Act
- Cash discounts are offered to customers to encourage prompt payment. These are accrued for at the time of invoicing and adjusted subsequently to reflect actual experience
- We record an accrual for estimated sales returns by applying historical experience of customer returns to the amounts invoiced, together with market related information such as stock levels at wholesalers, anticipated price increases and competitor activity.

A reconciliation of gross turnover to net turnover for the US Pharmaceuticals business, is as follows:

	2018		2017		2016	
	£m	**Margin %**	(revised) £m	Margin %	(revised) £m	Margin %
Gross turnover	**18,227**	**100**	16,365	100	13,363	100
Market driven segments	**(5,147)**	**(28)**	(4,040)	(25)	(2,731)	(21)
Government mandated and state programs	**(4,594)**	**(25)**	(3,933)	(24)	(3,063)	(23)
Cash discounts	**(361)**	**(2)**	(330)	(2)	(261)	(2)
Customer returns	**(98)**	**(1)**	(97)	(1)	(98)	(1)
Prior year adjustments	**98**	**1**	86	1	109	1

– We have arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Accruals for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates
– Customer rebates are offered to key managed care and Group Purchasing Organisations and other direct and indirect customers. These arrangements require the customer to achieve certain performance targets relating to the value of product purchased, formulary status or pre-determined market shares relative to competitors. The accrual for customer rebates is estimated based on the specific terms in each agreement, historical experience and product growth rates

Other prior year items	**(59)**	**–**	(23)	–	(25)	–
Other items	**(613)**	**(4)**	(460)	(3)	(457)	(3)
Total deductions	**(10,774)**	**(59)**	(8,797)	(54)	(6,526)	(49)
Net turnover	**7,453**	**41**	7,568	46	6,837	51

Market-driven segments consist primarily of Managed Care and Medicare plans with which we negotiate contract pricing that is honoured via rebates and chargebacks. Mandated segments consist primarily of Medicaid and Federal Government programmes which receive government-mandated pricing via rebates and chargebacks.

Group financial review continued

Critical accounting policies continued

The increased deductions in the market driven segments of the gross turnover to net turnover reconciliation primarily reflected higher rebates and chargebacks on Respiratory products, and on *Advair* in particular. During 2018, *Advair* accounted for 15% of US Pharmaceuticals turnover and approximately 34% of the total deduction for rebates and returns, and the Respiratory portfolio as a whole accounted for approximately 78% of the total deduction in the year. *Advair* continued to suffer pricing pressures in 2018 as we sought to transition our Respiratory portfolio to newer products.

The balance sheet accruals for rebates, discounts, allowances and returns for the US Pharmaceuticals and Vaccines businesses are managed on a combined basis. At 31 December 2018, the total accrual amounted to £4,356 million (2017 – £2,837 million).

A monthly process is operated to monitor inventory levels at wholesalers for any abnormal movements. This process uses gross sales volumes, prescription volumes based on third party data sources and information received from key wholesalers. The aim of this is to maintain inventories at a consistent level from year to year based on the pattern of consumption.

On this basis, US Pharmaceuticals and Vaccines inventory levels at wholesalers and in other distribution channels at 31 December 2018 were estimated to amount to approximately four weeks of turnover. This calculation uses third party information, the accuracy of which cannot be totally verified, but is believed to be sufficiently reliable for this purpose.

Legal and other disputes

In respect of the accounting policy for Legal and other disputes, the following briefly describes the process by which we determine the level of provision that is necessary.

In accordance with the requirements of IAS 37, 'Provisions, contingent liabilities and contingent assets', we provide for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group.

We may become involved in significant legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included in the Annual Report, but no provision would be made.

This position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements.

Like many pharmaceutical companies, we are faced with various complex product liability, anti-trust and patent litigation, as well as investigations of its operations conducted by various governmental regulatory agencies. Throughout the year, the General Counsel of the Group, as head of the Group's legal function, and the Senior Vice President and Head of Global Litigation for the Group, who is responsible for all litigation and government investigations, routinely brief the Chief Executive Officer, the Chief Financial Officer and the Board of Directors on the significant litigation pending against the Group and governmental investigations of the Group.

These meetings, as appropriate, detail the status of significant litigation and government investigations and review matters such as the number of claims notified to us, information on potential claims not yet notified, assessment of the validity of claims, progress made in settling claims, recent settlement levels and potential reimbursement by insurers.

The meetings also include an assessment of whether or not there is sufficient information available for us to be able to make a reliable estimate of the potential outcomes of the disputes. Often, external counsel assisting us with various litigation matters and investigations will also assist in the briefing of the Board and senior management. Following these discussions, for those matters where it is possible to make a reliable estimate of the amount of a provision, if any, that may be required, the level of provision for legal and other disputes is reviewed and adjusted as appropriate. These matters are discussed further in Note 45 to the financial statements, 'Legal proceedings'.

Strategic report

The Strategic report was approved by the Board of Directors on 11 March 2019

Simon Dingemans
Chief Financial Officer

11 March 2019

Corporate Governance

In this section

Chairman's Governance statement

"Our purpose and values have always been a source of great pride for the Board and our employees. It is a powerful force in attracting and retaining talented people who, as individuals, want to be part of a company that contributes meaningfully to society."

Dear Shareholder
I am pleased to present our Corporate Governance report for 2018.

Our governance structure operates from the Board across the Group and we believe it underpins our ability to deliver our strategy and create long-term value and benefit for our shareholders and stakeholders.

I can confirm that throughout 2018 the company complied with the requirements of the Financial Reporting Council's (FRC) UK Corporate Governance Code (current Code) except that Dr Vivienne Cox was unable to attend the company's 2018 AGM. She was required to attend a board meeting of another public company as their Senior Independent Director and Nomination & Governance Chair. This resulted in partial non-compliance with current Code provision E.2.3.

A copy of the current Code is available on www.frc.org.uk.

The following pages set out details on the composition of our Board, its corporate governance arrangements, processes and activities during the year, together with reports from each of the Board's Committees. In addition, related statutory disclosures are set out in the Shareholder Information section on pages 251 to 270.

Corporate governance reform

During the year, The Companies (Miscellaneous Reporting) Regulations 2018 were published in conjunction with the FRC's new Code (the Reforms). The Reforms seek to raise the bar on existing corporate governance practices and encourage companies to demonstrate their broader responsibility within society, in fulfilment of the Government's aim to build trust in business. At their core, they:

– require boards to report on how they have had regard to matters set out in section 172 of the Companies Act 2006, including stakeholder impacts, when fulfilling their directors' duties;

– introduce new requirements around employee consultation, pay practices, board culture, composition and diversity; and

– encourage companies to report on how the new Code's principles have been applied each year.

The Reforms came into effect on 1 January 2019 and seek to drive a number of changes to companies' underlying corporate governance processes. As a result, the Board has reviewed our existing practices to identify where they are in line with the Reforms and implemented enhancements where appropriate. We will report against the Reforms in next year's Annual Report to allow time to embed these new practices in our corporate governance framework and to monitor their operation and effectiveness.

However, I wish to highlight in this Report some of the more significant implementation steps which may be of interest to our investors and wider stakeholders. These include the early publication of our CEO pay ratio on page 106 and the designation of Dr Vivienne Cox as our Workforce Engagement Director, which is discussed on page 90. We have also further strengthened reporting on our stakeholder relationships agenda by:

– summarising our approach and the mechanisms we have in place to promote stakeholder engagement on page 11;

– highlighting the specific role our Corporate Responsibility Committee plays in monitoring, identifying and addressing the evolving views and expectations of our broad range of stakeholders on pages 92 and 93; and

– describing how we respond to the expectations of our stakeholders to remain commercially successful, protect our reputation and build trust by:

  – using our science and technology to reduce health needs

  – making our products more affordable and available

  – being a modern employer.

Our purpose, strategy and culture

Our purpose is to help people do more, feel better and live longer and this is underpinned by our values of patient focus, integrity, respect and transparency. Our purpose and values have always been a source of great pride for the Board and our employees. It is a powerful force in attracting and retaining talented people who, as individuals, want to be part of a company that contributes meaningfully to society. Emma Walmsley was keen to preserve this commitment to our purpose and values as she and her team developed the company's priorities around IPT, supported by evolving a culture to foster more pace and performance edge. The Board receives regular papers from the CEO, Head of Human Resources and our global businesses, that update it on progress on the alignment between our strategy and our performance and values-based culture that was introduced at the start of 2018.

Culture change in a complex, global organisation such as GSK takes time and sustained effort. However, we are seeing some encouraging signs that our new expectations are taking effect and supporting our strategy. This ultimately should enable swifter progress in getting new medicines, vaccines and consumer healthcare products to our patients and consumers around the world.

Risk management

The Board continues to consider GSK's Enterprise risks and the strategies to address them. Reviews of the risks were undertaken throughout the course of the year, including whether the key Enterprise Risks affecting the respective businesses are being managed and mitigated in a proportionate way, and management's commitment to maintain a strong controls culture.

Also of note is the recent decision by the Serious Fraud Office, in the UK, to close its investigation having concluded that no further action is required. The investigation had focused on commercial practices by the company, its subsidiaries and associated persons. The company's own findings have led to further improvements in the control environment. Investigations by the US Securities and Exchange Commission and Department of Justice remain ongoing.

Succession process

In closing, I informed the Board at the start of the year of my intention to retire from the Board once a successor has been appointed. Our Senior Independent Director, Vindi Banga, is leading the process to identify and recruit my successor to lead the Board into the next phase of its development. His update on the process and the desired attributes sought in a new Chairman are set out on page 78.

It has been a privilege to serve as Chairman of GSK for the last four years and to observe the positive impact on the company that Emma has made in such a relatively short time as CEO. This Annual Report demonstrates the clarity of the current strategy that has resulted in an improvement in the performance of the business. However, I feel that it is the right time to hand over the reins to a new Chair to have a clear run at overseeing the eventual separation of GSK into two world-class businesses. In doing so, I am confident that my successor will continue the crucial role of the Chair in promoting and supporting our strategy for the long-term benefit of our shareholders, patients, employees and other stakeholders.

I commend this report to all of our stakeholders.

Philip Hampton
Chairman

11 March 2019

Our Board

Board composition

Composition	
Executive	33.3%
Non-Executive	66.7%

Tenure Non-Executive	
Up to 3 years	25%
3-6 years	50%
7-9 years	25%

International experience

Global	83%
US	100%
Europe	92%
EMAP	67%

Gender diversity

Board	At date of publication
Male	58.3%
Female	41.7%

Executive	
Male	75%
Female	25%

Non-Executive	
Male	50%
Female	50%

Board	At close of AGM on 8 May 2019
Male	54.5%
Female	45.5%

Executive	
Male	66.7%
Female	33.3%

Non-Executive	
Male	50%
Female	50%

Philip Hampton 65
Non-Executive Chairman (N)

Nationality
British

Appointed
1 January 2015. Deputy Chairman from 1 April 2015 and Non-Executive Chairman from 7 May 2015

Skills and experience
Prior to joining GSK, Philip chaired major FTSE 100 companies, including The Royal Bank of Scotland Group plc and J Sainsbury plc. He has also served as Group Finance Director at Lloyds TSB Group plc, BT Group plc, BG Group plc, British Gas plc and British Steel plc. Philip was previously an Executive Director of Lazards and a Non-Executive Director of RMC Group Plc and Belgacom SA. Until 2009, he was Chairman of UK Financial Investments Limited, which manages the UK Government's shareholdings in banks. Philip was Senior Independent Director of Anglo American Plc between 2014 and 2018, having served on its Board since 2009.

External appointments
Philip is Chair of the Hampton-Alexander Review of FTSE Women Leaders, an independent review on improving gender balance in FTSE leadership.

As announced in January 2019, Philip will step down as Non-Executive Chairman and the Board has started the process of identifying his successor.

Emma Walmsley 49
Chief Executive Officer

Nationality
British

Appointed
1 January 2017. Chief Executive Officer from 1 April 2017

Skills and experience
Prior to her appointment as GSK's CEO, Emma was the CEO of GSK Consumer Healthcare, leading its creation as a Joint Venture between GSK and Novartis in March 2015 (solely owned by GSK since June 2018). Emma joined GSK in 2010 from L'Oreal, having worked for 17 years in a variety of roles in Paris, London, New York and Shanghai.

Emma holds an MA in Classics and Modern Languages from Oxford University.

External appointments
Emma co-chairs the Consumer, Retail and Life Sciences Council, a business advisory group for the UK Government, and is an Honorary Fellow of the Royal Society of Chemistry.

Simon Dingemans 55
Chief Financial Officer

Nationality
British

Appointed
4 January 2011. Chief Financial Officer from 1 April 2011

Skills and experience
Prior to joining GSK, Simon had over 25 years of experience in investment banking at SG Warburg and Goldman Sachs. Simon

Key

- Committee Chair
- (N) Nominations
- (A) Audit & Risk
- (R) Remuneration
- (S) Science
- (C) Corporate Responsibility

advised GSK for over a decade before his appointment and was closely involved in a number of GSK's key strategic projects. Simon was previously Chairman of the 100 Group of Finance Directors between 2014 and 2016.

External appointments
Simon is a Trustee of The Donmar Warehouse.

Simon will step down from the Board at the conclusion of the AGM on 8 May 2019.

Iain Mackay 57
Chief Financial Officer Designate

Nationality
British

Appointed
14 January 2019. Chief Financial Officer from 1 April 2019

Skills and experience
Prior to joining GSK, Iain was Group Finance Director at the global bank HSBC Holdings plc, a position he held for eight years. A chartered accountant, Iain has worked in Asia, the US and Europe and before HSBC was at General Electric, Schlumberger Dowell and Price Waterhouse.

External appointments
Iain is a Trustee of the British Heart Foundation and a member of the Court of the University of Aberdeen.

Iain holds an MA in Business Studies and Accounting, and an Honorary Doctorate from Aberdeen University in Scotland.

Dr Hal Barron 56
Chief Scientific Officer and President, R&D

Nationality
American

Appointed
1 January 2018

Skills and experience
Prior to joining GSK, Hal was President R&D at Calico LLC (California Life Company), an Alphabet-funded company that uses advanced technologies to increase understanding of lifespan biology. Prior to joining Calico, Hal was Executive Vice President, Head of Global Product Development, and Chief Medical Officer of Roche, responsible for all the products in the combined portfolio of Roche and Genentech. At Genentech, he was Senior Vice President of Development and Chief Medical Officer. Hal was a Non-Executive Director and Chair of the Science & Technology Committee at Juno Therapeutics, Inc until March 2018, when it was acquired by Celgene Corporation.

External appointments
Hal is Associate Adjunct Professor, Epidemiology & Biostatistics, University of California, San Francisco. He is also a Non-Executive Board Director of GRAIL, Inc, an early cancer detection healthcare company and a member of the Advisory Board of Verily Life Sciences LLC, a subsidiary of Alphabet Inc.

Manvinder Singh (Vindi) Banga 64
Senior Independent Non-Executive Director (N) (A) (R)

Nationality
British

Appointed
1 September 2015 and as Senior Independent Non-Executive Director from 5 May 2016

Dr Vivienne Cox 59
Independent Non-Executive Director & Workforce Engagement Director
(R) (C)

Nationality
British

Appointed
1 July 2016

Skills and experience
Vivienne has wide experience of business gained in the energy, natural resources and publishing sectors. She also has a deep understanding of regulatory and government relationships. She worked for BP plc for 28 years, in Britain and continental Europe, in posts including Executive Vice President and Chief Executive of BP's gas, power and renewable business and its alternative energy unit. Vivienne was previously a Non-Executive Director of BG Group plc and Rio Tinto plc and Lead Independent Director at the UK Government's Department for International Development. Vivienne was appointed Commander of the Order of the British Empire in the 2016 New Year Honours for services to the UK Economy and Sustainability.

External appointments
Vivienne is Senior Independent Director of Pearson plc, a Non-Executive Director of Stena AB and Chairman of the Supervisory Board of Vallourec. She is an Advisory Board Member of the African Leadership Institute, Chair of Rosalind Franklin Institute, Vice President of the Energy Institute and a member of the advisory board of Montrose Associates. Vivienne sits on the Global Leadership Council of Saïd Business School, Oxford and is Patron of the Hospice of St Francis.

Lynn Elsenhans 62
Independent Non-Executive Director (C) (N) (A)

Nationality
American

Appointed
1 July 2012

Skills and experience
Lynn has a wealth of experience of running a global business and significant knowledge of the global markets in which GSK operates. She served as Chair, President and Chief Executive Officer of Sunoco Inc from 2009 to 2012. Prior to joining Sunoco in 2008 as President and Chief Executive Officer, Lynn worked for Royal Dutch Shell, which she joined in 1980, and where she held a number of senior roles, including Executive Vice President, Global Manufacturing from 2005 to 2008. Lynn was previously a Non-Executive Director of Flowserve Corporation, the First Tee of Greater Houston, and a Trustee of the United Way of Greater Houston.

External appointments
Lynn is a Non-Executive Director of Baker Hughes, a GE company, and Chair of its Audit Committee, as well as a Board Director of Saudi Aramco. In addition, Lynn is a Director of the Texas Medical Center.

Skills and experience
Prior to joining GSK, Vindi spent 33 years at Unilever plc, where his last role (amongst several senior positions) was President of the Global Foods, Home and Personal Care businesses, and a member of the Unilever Executive Board. Vindi sat on the Prime Minister of India's Council of Trade & Industry from 2004 to 2014, and was on the Board of Governors of the Indian Institute of Management (IIM), Ahmedabad. Vindi is also the recipient of the Padma Bhushan, one of India's highest civilian honours. Vindi has been a Non-Executive Director of Thomson Reuters Corp, Chairman of the Supervisory Board of Mauser Group and Senior Independent Director of Marks & Spencer Group Plc.

External appointments
Vindi is a Partner at private equity investment firm Clayton Dubilier & Rice, Chairman of Kalle GmbH, a Director of High Ridge Brands Co and a member of the Holdingham International Advisory Board. Vindi is a Non-Executive Director of the Confederation of British Industry (CBI), sits on the Governing Board of the Indian School of Business, Hyderabad and the Global Leadership Council of Saïd Business School, Oxford and is a member of the Indo UK CEO Forum. Vindi is Chair of the Board of Trustees of Marie Curie.

Our Board continued

Dr Laurie Glimcher 67
Independent Non-Executive Director and Scientific & Medical Expert
A S

Nationality
American

Appointed
1 September 2017

Skills and experience
In addition to a number of senior leadership positions held at both Harvard Medical School and Harvard School of Public Health, Laurie also served as Stephen and Suzanne Weiss Dean and Professor of Medicine at Weill Cornell Medical College and as an Attending Physician at the New York Presbyterian Hospital/Weill Cornell Medical Center. Laurie stepped down from the Board of Bristol-Myers Squibb Co (BMS) in 2017 after serving for 20 years on its Board. Laurie brings scientific and public health expertise to the Board's deliberations, and a wealth of global, publicly listed, pharmaceutical business experience.

External appointments
Laurie is currently Professor of Medicine at Harvard Medical School and is CEO, President and an Attending Physician at the Dana-Farber Cancer Institute.

Laurie is a member of the US National Academy of Sciences and the National Academy of Medicine. She is a member of the Scientific Steering Committee of the Parker Institute for Cancer Immunotherapy and a Non-Executive Director of the Waters Corporation, where she also serves on its Corporate Governance Committee. In addition, Laurie is co-founder and Chair of the Scientific Advisory Board of Quentis Therapeutics Inc. She is a Scientific Advisory Board member of Repare Therapeutics Inc, Abpro Therapeutics and Kaleido Biosciences Inc.

Dr Jesse Goodman 67
Independent Non-Executive Director and Scientific & Medical Expert
S C

Nationality
American

Appointed
1 January 2016

Skills and experience
Jesse previously served in senior leadership positions at the US Food and Drug Administration (FDA), including most recently as the FDA's Chief Scientist and previously as Deputy Commissioner for Science and Public Health and as Director of the Center for Biologics Evaluation and Research (CBER).

Jesse played a leadership role in developing the FDA's Regulatory Science and Medical Countermeasures Initiatives and has worked collaboratively with industry, academia, government and global public health and regulatory partners to prepare for and respond to major public health threats, including emerging infectious diseases, disasters and terrorism. He led the FDA's response to West Nile

Judy Lewent 70
Independent Non-Executive Director A N R S

Nationality
American

Appointed
1 April 2011

Skills and experience
Judy has extensive knowledge of the global pharmaceutical industry and of corporate finance, having joined Merck & Co in 1980 and then served as its Chief Financial Officer from 1990 to 2007 when she retired. Judy served as a Non-Executive Director of Dell Inc, Quaker Oats Company and Motorola Inc, and held Non-Executive Directorships at Purdue Pharma Inc, Napp Pharmaceutical Holdings Limited and certain Mundipharma International Limited companies until 2014.

The Board has determined that Judy has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments
Judy is a Non-Executive Director of Thermo Fisher Scientific Inc and Motorola Solutions Inc. She is also a Trustee of the Rockefeller Family Trust, a life member of the Massachusetts Institute of Technology Corporation, a member of the American Academy of Arts and Sciences and a member of the Business Advisory Board of twoXAR.

Urs Rohner 59
Independent Non-Executive Director R N

Nationality
Swiss

Appointed
1 January 2015

Skills and experience
Urs has a broad range of business and legal experience having served as Chairman on a number of Boards, most recently for Credit Suisse, a world-leading financial services company. Prior to joining Credit Suisse in 2004, Urs served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG. This followed a number of years in private practice at major law firms in Switzerland and the US, having been admitted to the bars of the canton of Zurich in Switzerland in 1986 and the state of New York in the US in 1990.

External appointments
Urs is Chairman of the Board of Credit Suisse Group AG and of its Chairman's and Governance Committee. He is also Chairman and member of the Board of Trustees of Credit Suisse Research Institute and Credit Suisse Foundation. Urs was appointed Vice-Chairman of the Governing Board of the Swiss Bankers Association in 2015.

Virus and to the 2009 H1N1 influenza pandemic and served on the Senior Leadership Team for the 2010 White House Medical Countermeasure Review. Jesse brings scientific and public health expertise to the Board's deliberations.

External appointments

Jesse, currently Professor of Medicine at Georgetown University, directs the Georgetown University Center on Medical Product Access, Safety and Stewardship (COMPASS) and is an active clinician who serves as Attending Physician in Infectious Diseases. He also serves as President and Member of the Board of the United States Pharmacopeia (USP), a member of the Regulatory and Legal Working Group of the Coalition for Epidemic Preparedness Innovations (CEPI) and of the US National Academy of Medicine. Jesse is a member of the Board of Intellia Therapeutics, Cambridge, MA.

Our Corporate Executive Team

Emma Walmsley
Chief Executive Officer

Simon Dingemans*
Chief Financial Officer

Iain Mackay*
Chief Financial Officer Designate

Dr Hal Barron
Chief Scientific Officer
and President, R&D

For biographical details, see pages 68 and 69

Roger Connor
President, Global Vaccines

Roger joined the CET in 2013. He was appointed President of GSK Global Vaccines in 2018. In addition to leadership of the Vaccines business, he is responsible for GSK's global procurement organisation. Previously, he was President, Global Manufacturing & Supply and, before that, Vice President, Office of the CEO and Corporate Strategy. Roger joined GSK in 1998 from AstraZeneca.

Roger holds a degree in Mechanical and Manufacturing Engineering from Queen's University, Belfast and a Master's in Manufacturing Leadership from Cambridge University. He is a Chartered Accountant.

James Ford
Senior Vice President & General Counsel

James joined the CET in 2018, when he was appointed Senior Vice President and General Counsel. He joined GSK in 1995 and has served as General Counsel Consumer Healthcare, General Counsel Global Pharmaceuticals, Vice President of Corporate Legal and Acting Head of Governance, Ethics and Compliance.

Prior to GSK, James was a solicitor at Clifford Chance and DLA. He holds a law degree from University of East Anglia and a Diploma in Competition Law from Kings College. He is qualified as a solicitor in England and Wales, and is an attorney at the New York State Bar.

Nick Hirons
Senior Vice President, Global Ethics and Compliance

Nick was appointed to the CET in 2014 as Senior Vice President, Global Ethics and Compliance, responsible for compliance, risk management, corporate security and investigations.

Brian McNamara
CEO, GSK Consumer Healthcare

Brian joined the CET in 2016, when he was appointed CEO, GSK Consumer Healthcare. He joined GSK in 2015 as Head of Europe and Americas for GSK Consumer Healthcare, following the creation of a joint venture between GSK and Novartis. Previously, he was head of Novartis' OTC division. Brian began his career at Procter and Gamble.

Brian is a Board Member of the World Self-Medication Industry Association, serving as Chairman from February 2017 to March 2019, and is a Board Member of the Consumer Goods Forum. He earned an undergraduate degree in Electrical Engineering from Union College in New York and an MBA in Finance from the University of Cincinnati.

Luke Miels
President, Global Pharmaceuticals

Luke joined GSK and the CET in September 2017 as President, Global Pharmaceuticals, responsible for our commercial portfolio of medicines and vaccines.

Previously, he worked for AstraZeneca as Executive Vice President of their European business and, prior to that, was Executive Vice President of Global Product and Portfolio Strategy, Global Medical Affairs and Corporate Affairs. Before then, he held roles of increasing seniority at Roche and Sanofi-Aventis in the US, Europe and Asia. He is a member of the Board for ViiV Healthcare.

Luke holds a Bachelor of Science degree in Biology from Flinders University in Adelaide and an MBA from the Macquarie University, Sydney.

David Redfern
Chief Strategy Officer

David joined the CET as Chief Strategy Officer in 2008 and is responsible for corporate development and strategic planning. Previously, he was Senior Vice President, Northern Europe with responsibility for GSK's pharmaceutical businesses in that region and, prior to that, he was Senior Vice President for Central and Eastern Europe. He joined GSK in 1994.

David was appointed Chairman of the Board of ViiV Healthcare Limited in 2011 and a Non-Executive Director of the Aspen Pharmacare Holdings Limited Board in 2015. He has a Bachelor of Science degree from Bristol University and is a Chartered Accountant.

Regis Simard
President, Pharmaceuticals Supply Chain

Karenann Terrell
Chief Digital & Technology Officer

Karenann joined GSK and the CET in 2017 as Chief Digital & Technology Officer, responsible for our technology, digital, data and analytics strategy.

Previously, she worked for Walmart as Chief Information Officer. Prior to this, she was at Baxter International, where she was Chief Information Officer, and before that Daimler Chrysler Corporation. Karenann began her career at General Motors.

Karenann is a member of the board of trustees for the New York Hall of Science and in 2017 she became a Non-Executive Director of Pluralsight LLC. She earned graduate and post-graduate degrees in Electrical Engineering from Kettering and Purdue Universities respectively.

Claire Thomas
Senior Vice President, Human Resources

Claire was appointed to the CET as Senior Vice President, Human Resources in 2008. She joined the company in 1996 as Senior Manager, Human Resources, Sales and Marketing Group, UK Pharmaceuticals before becoming Director of Human Resources for UK Pharmaceuticals in 1997. She was appointed Senior Vice President, Human Resources, Pharmaceuticals Europe in 2001, and Senior Vice President, Human Resources, Pharmaceuticals International in 2006.

Prior to GSK, Claire worked for the Ford Motor Company, holding various positions in Human Resources. She has a Bachelor of Science degree in Economics, Management and Industrial Relations from the University of Wales.

Phil Thomson
President, Global Affairs

Phil joined the CET in 2011. He was appointed President, Global Affairs in 2017, with responsibility for the Group's strategic approach to reputation, policy development and stakeholder engagement.

Previously, Phil was Senior Vice President, Communications and Government Affairs.

Phil is Chairman of The Whitehall & Industry Group and a Board Member of the China-Britain Business Council. He earned his degree in English, History and Russian Studies from Durham University.

Nick joined GSK in 1994 as an International Auditor. He was later Head of Audit & Assurance, where he combined five audit functions into an independent team with a common risk-based methodology. In 2013, Nick relocated to China to establish a governance model for our China business that created a consistent approach to compliance.

Nick is a fellow of the Chartered Institute of Management Accountants.

Regis joined the CET in 2018, when he became President, Pharmaceuticals Supply Chain. He is responsible for the manufacturing and supply of GSK's pharmaceutical products. He also leads Quality and Environment, Health, Safety and Sustainability at a corporate level.

Regis joined GSK in 2005 as Site Director at Notre Dame de Bondeville, rising to become Senior Vice President of Global Pharmaceuticals Manufacturing before his current role. Previously, he held senior positions at Sony, Konica Minolta and Tyco Healthcare. He is a member of the Board for ViiV Healthcare. He is a mechanical engineer and holds an MBA.

* Simon Dingemans will step down from the CET on 31 March 2019 and Iain Mackay will take formal responsibility as CFO from 1 April 2019.

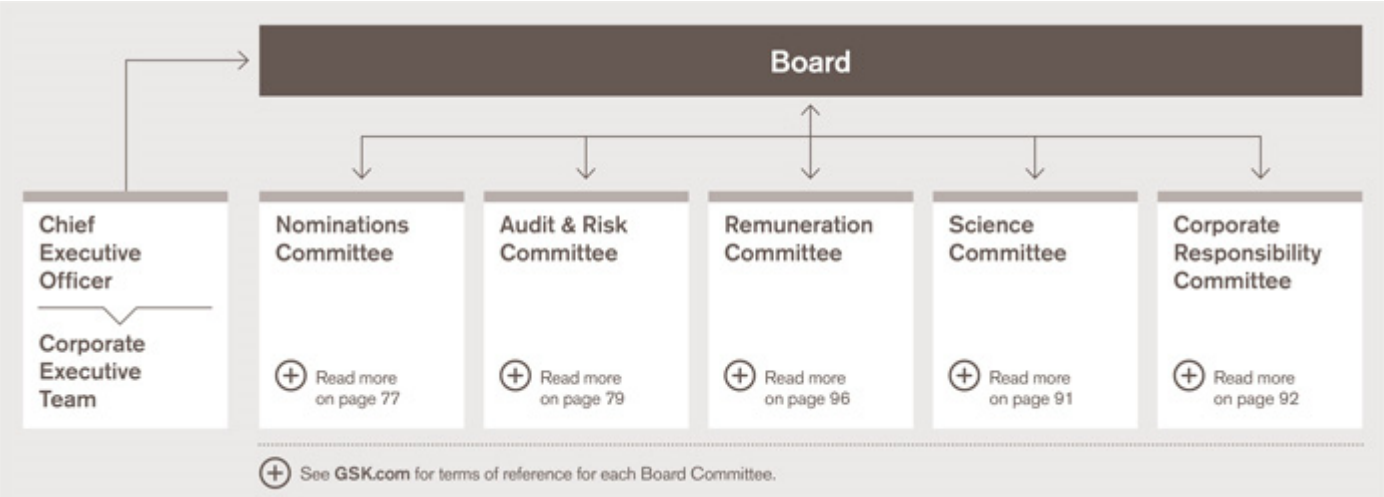
Luc Debruyne, Dan Troy and Sir Patrick Vallance were members of the CET before leaving the company in December 2018, January 2019 and March 2018 respectively.

Leadership and effectiveness

Corporate governance framework

The Board has established a corporate governance framework with clearly defined responsibilities and accountabilities. The framework is designed to safeguard and enhance long-term shareholder value and to provide a platform to realise the Group's strategy through GSK's long-term priorities of Innovation, Performance and Trust, that is consistent with its culture, values and expectations. Our internal control and risk management arrangements, described on pages 87 to 88 and 34 to 36, are an integral part of our governance framework.

For the Board to operate effectively and to give full consideration to key matters, Board Committees have been established as set out below.



Scheduled Board and Committee attendance during 2018

	Board	Nominations	Audit & Risk	Remuneration	Science	Corporate Responsibility
Total number of scheduled meetings	**6**	**6**	**6**	**5**	**3**	**5**
Members	**Attended**	**Attended**	**Attended**	**Attended**	**Attended**	**Attended**
Philip Hampton	6	6				
Emma Walmsley	6					
Simon Dingemans	6					
Dr Hal Barron	6					
Vindi Banga	6	6	6	5		
Dr Vivienne Cox	6			5		4
Lynn Elsenhans	6	6	6			5
Dr Laurie Glimcher	6		6		3	
Dr Jesse Goodman	6				3	5
Judy Lewent	6	6	6	5	3	
Urs Rohner	6			5		
Sir Patrick Vallance Stepped down on 31 March 2018	2 (2)					
Professor Sir Roy Anderson Retired on 3 May 2018	3 (3)				2 (2)	2 (2)
Number of ad-hoc meetings	**37**	**3**	**6**	**6**	**3**	**1**

For Directors who served for part of the year, the numbers in brackets denote the number of meetings the Directors were eligible to attend.

See the Committee Reports for other attendees at Committee meetings, such as the Chairman, CEO and other Executive Directors, and the work of the Committees during the year. These reports are included later in the Corporate Governance Report.

2018 Board programme

The Board is responsible for the long-term success of the company and has the authority, and is accountable to shareholders, for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. In the performance of these duties, it has regard to the interests of other key stakeholders and is cognisant of the potential impact of the decisions it makes. The Board discharges those responsibilities through an annual programme of meetings and during the year it focused on a number of specific areas outlined in the table, in line with its long-term IPT priorities. In addition, during the year the CEO met with Non-Executive Directors to discuss various matters, including the progress on the company's strategy, succession planning and continuing regulatory investigations.

Areas of focus		Long-term priorities link
Strategy	**The Board's oversight of the execution of our strategy included:**	
	– Receiving and discussing reports from our three principal businesses: Pharmaceuticals, Vaccines and Consumer Healthcare	I P T C
	– Receiving IPT transformation programme	I P T C
	– Scrutinising and approving new R&D strategy	I P T C
	– Holding a joint Board and Corporate Executive Team strategy day to discuss IPT[C] priorities against external landscape changes, business performance, competitors and governance arrangements	I P T C
	– Scrutinising and approving major Consumer deals with Novartis, Pfizer and Unilever	I P T
	– Scrutinising and approving an oncology deal to purchase Tesaro	I P T
	– Receiving and discussing reports on our pensions, insurance, tax and treasury strategies	P T
Performance	**The Board's focus on performance included:**	
	– Evaluating the CEO's 2017 performance and setting her 2018 objectives	I P T C
	– Setting, reviewing and agreeing the annual budget and forward looking three year plan	P T
	– Receiving reports from the CEO on our three principal businesses	I P T C
	– Scrutinising the Group's financial performance	P T
	– Approving a major Group restructuring plan	I P T
	– Reviewing our digital, data and analytics capabilities and opportunities	I P T
Governance	**The Board's approach to discharging its corporate governance duties included:**	
	– Receiving reports from Board Committees	T
	– Approving the 2017 Annual Report	T
	– Reviewing AGM preparation and approving the 2018 Notice of AGM and a General Meeting to approve the transaction with Novartis	T
	– Considering observations and agreeing actions from the independent external evaluation of the Board's performance	T C
	– Receiving reports on corporate governance and regulatory developments	T C
	– Approving appointment of new auditor	T
	– Undertaking training on GSK's Code of Conduct and Anti-bribery and corruption	T C
	– Approving the appointment of a new Chief Financial Officer	I P T
Cultural transformation	**The Head of HR briefed the Board on:**	
	– Aligning GSK's culture and values to support our strategy and long-term priorities	P T C
Engagement	**The Board's regard for stakeholder impacts included:**	
	– Reviewing and approving a new Trust framework that has been set in the context of external trends and stakeholder expectations	T C
	– Receiving regular external stakeholder development reports	T C
	– Approving the evolution of our approach and changes to medical engagement with key external experts	I P T

– Designating Dr Vivienne Cox as Workforce Engagement Director to gather the views of the Group's workforce I P T C

Link to long-term priorities Innovation I Performance P Trust T Culture C

Leadership and effectiveness continued

Key Board roles and responsibilities

Leadership

Chairman

Philip Hampton

- Leads and manages the business of the Board
- Provides direction and focus
- Ensures clear structure for effective operation of the Board and its Committees
- Sets Board agenda and ensures sufficient time is allocated to promote effective debate to support sound decision making
- Ensures the Board receives precise, timely and clear information
- Meets with each Non-Executive Director on an annual basis to discuss individual contributions and performance, together with training and development needs
- Shares peer feedback that is provided as part of the Board evaluation process
- Meets with all the Non-Executive Directors independently of the Executive Directors
- Maintains a dialogue with shareholders on the governance of the company.

The Chairman's role description is available on GSK.com

Chief Executive Officer

Emma Walmsley

- Is responsible for the management of the Group and its three businesses
- Develops the Group's strategic direction for consideration and approval by the Board
- Implements the agreed strategy
- Is supported by members of the Corporate Executive Team
- Maintains a continual and active dialogue with shareholders in respect of the company's performance.

The Chief Executive Officer's role description is available on GSK.com

Independent oversight and rigorous challenge

Non-Executive Directors

- Provide a strong independent element to the Board
- Constructively support and challenge management and scrutinise their performance in meeting agreed deliverables
- Shape proposals on strategy and management
- Each has a letter of appointment setting out the terms and conditions of their directorship
- Devote such time as is necessary to the proper performance of their duties
- Are expected to attend all meetings as required.

Independence statement

The Board considers all of its Non-Executive Directors who are identified on pages 68 to 70 to be independent. They each demonstrate an appropriate degree of independence in character and judgement and are free from any business or other relationship which could materially interfere with the exercise of their judgement. The independence and commitment of Lynn Elsenhans and Judy Lewent, who have served on the Board for over six years, has been subjected to a rigorous review.

Senior Independent Non-Executive Director

Vindi Banga

- Acts as a sounding board for the Chairman and a trusted intermediary for other Directors
- Together with the Non-Executive Directors, leads the annual review of the Chairman's performance, taking into account views of the Executive Directors
- Discusses the results of the Chairman's effectiveness review with the Chairman
- Leads the search and appointment process and recommendation to the Board of a new Chairman
- Acts as an additional point of contact for shareholders
- In doing so, maintains an understanding of the issues and concerns of major shareholders through briefings from the Investor Relations team and the Company Secretary.

The Senior Independent Non-Executive Director's role description is available on GSK.com

Company Secretary
Victoria Whyte

- Secretary to the Board and all Board Committees
- Supports the Board and Committee Chairs in annual agenda planning
- Ensures information is made available to the Board members in a timely fashion
- Supports the Chairman in designing and delivering Board inductions
- Coordinates ongoing business awareness and training requirements for the Non-Executive Directors
- Undertakes internal Board and Committee evaluations at the request of the Chairman
- Advises the Directors on Board practice and procedures and corporate governance matters
- Chairs the Group's Disclosure Committee
- Is a point of contact for shareholders on corporate governance matters.

Board induction and development

The Company Secretary assists the Chairman in designing and facilitating individual induction programmes for new Directors. They are designed with the purpose of orientating and familiarising new Directors with our industry, organisation, governance and our IPT strategic business priorities.

New CET members meet with Board members as part of their induction, and to ensure the Board maintains its connections with the CET.

Induction

Each new Director receives a general induction, which includes their duties and responsibilities as a Director of a listed company, the company's Corporate Governance structure and undertaking training on GSK's Code of Conduct. A personalised induction is then devised which is individually tailored to each new Director's background, education, experience and role.

The induction programme for Executive Directors normally includes an explanation of the role of an Executive Director, if appropriate, building relationships with the Chairman, Board and the CET and arranging to fill any capability gaps the new Director may have.

The Chief Financial Officer Designate's induction programme was tailored for Iain Mackay, a highly experienced global CFO, and commenced when he joined the Board in January 2019. It includes the following features:

– familiarisation with the industry and GSK;
– introduction to the Finance organisation and GSK's financial structure; and
– introduction to senior management, other CET members and advisors to the company.

The induction programme for Non-Executive Directors normally includes introductory meetings with members of the CET and other senior executives to explain the company's business and financial structure, the commercial and regulatory environment in which we operate, our competitors and an investor's perspective.

Visits to our business operations are also a feature of Non-Executive and Executive Directors' induction programmes.

Board, business and key stakeholder awareness

To ensure that our Non-Executive Directors develop and maintain a greater insight and understanding of the business and key stakeholders, they:

– are invited to attend internal management meetings, including meetings of the CET;
– meet employees informally during visits to the Group's operations and at receptions held with staff around Board meetings;
– receive monthly investor relations and stakeholder reports to maintain awareness of investor and stakeholder views and competitors' performance and strategy; and
– measure progress in implementing our IPT priorities and evolving our culture through an all-employee survey undertaken every six months and through reports on the regular conversations the CET has directly with the workforce through the Let's Talk programme.

Training

The Chairman meets with each Director annually on a one-to-one basis to discuss his or her ongoing training and development requirements. The Board is kept up to date on legal, regulatory and governance matters through regular papers and briefings from the Company Secretary and presentations by internal and external advisers.

During 2018, the Board members undertook and completed training on GSK's Code of Conduct and Anti-bribery and corruption.

Leadership and effectiveness continued

2018 Internal evaluation of the Board

The Board carries out an evaluation of its performance and the performance of its Committees every year which is facilitated externally every third year. The progress of the Board against the outcomes of the 2017 external evaluation, which was facilitated by Ms Ffion Hague of Independent Board Evaluation, is disclosed below.

The 2018 Board and Committees evaluation process was conducted internally by the Company Secretary who:

- interviewed each Director with a small number of focused questions;
- drew all the responses together from the information gathered and discussed the outcomes and recommendations with the Chairman; and
- following discussion with the Board as a whole, identified areas of focus and improvement for the Board which are set out below.

Further improvements and areas of focus for the Board were identified and are set out below.

Board performance action points for 2019

Further improvements	Areas of focus for 2019
– Succession planning for the Board	– The SID is running the search process for the next Chairman supported by a global executive search firm. Attendance at the Nominations Committee for this process has been expanded to include all Non-Executive Directors. Further details are set out on page 78. – The Nominations Committee has also been progressing the search for a successor for Judy Lewent, the Chair of the Audit & Risk Committee.
– Oversight of R&D and pipeline revival and key business development transactions, and the proposed Consumer Healthcare joint venture with Pfizer	– The Board will continue to monitor the performance of R&D and the pipeline and the integration and operation of the key business development transactions including: Tesaro, 23andMe, Merck KGaA, Darmstadt, Germany. It will also be reviewing and overseeing arrangements for the proposed joint venture with Pfizer Consumer Healthcare.
– Building Board relationships and culture in line with the CEO's culture work across the Group	– Continuing the evolution of the Board's culture and building relationships as the membership has changed is an important area of focus especially with the impending Chairman succession.
– Further enhancing the Board's decision making and ways of working	– Opportunities to further enhance the Board's decision-making and ways of working will continue to be considered to ensure that the Board can operate as effectively as possible.

2018 Board performance

Progress against the conclusions of the 2017 Board evaluation review is set out below.

Areas of focus for 2018	Progress/Achievements
– A review of R&D strategy following the appointment of the new Chief Scientific Officer and President, R&D	– The Board reviewed and approved Dr Hal Barron's new approach to R&D which was announced with the company's Q2 results. The new approach focused on science relating to the immune system, the use of genetics and investments in advanced technologies.
– Enhancing the Board's focus and decision making by agreeing its clear priorities to focus on each year	– The Board agreed clear priorities for focus during 2018 and was pleased to have achieved them.

– Succession planning at senior executive and Board level	– The Board reviewed Executive and Non-Executive Director succession planning, and succession processes are ongoing to replace the Audit & Risk Committee Chair. Following the Chairman's decision to step down from the Board, the SID is leading the succession process for the Chairman, in collaboration with the Non-Executive Directors. Further details on Chairman succession are set out on page 78.
– Building Board relationships and culture in line with the CEO's culture work across the Group	– The Board was especially busy in 2018, but continues to build relationships and evolve its culture as its membership changes.

Nominations Committee report

Philip Hampton
Nominations Committee Chair

Role

The Committee reviews and recommends to the Board:

– the structure, size and composition of the Board and the appointment of Directors, members to the Board Committees and the CET

– succession to the Board and the CET.

Membership

Committee members	Committee member since
Philip Hampton – Chair from 27 January 2015	27 January 2015
Vindi Banga	1 January 2016
Lynn Elsenhans	27 January 2015
Judy Lewent	8 May 2014
Urs Rohner	1 January 2017
Professor Sir Roy Anderson	1 October 2012 until 3 May 2018

Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 68 to 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendees	Regular attendee	Attends as required
Chief Executive Officer	✓	
Head of Human Resources	✓	
Appropriate external advisers		✓

Advisory services

During the year, Egon Zehnder provided recruitment consultancy services to the Committee, in addition to recruitment and HR services which they provide to the company. The Committee supports the engagement of executive search firms, such as Egon Zehnder, who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Egon Zehnder is also one of the 13 executive search firms to be accredited in 2018 under the Enhanced Code of Conduct, by meeting exacting performance criteria and best practice standards in gender-balanced selection for FTSE 350 boards.

Dear Shareholder

In the last few years, the Committee has been thoughtful in its approach to refreshing the Board and replacing retiring directors. More recently, the Committee has supported Emma Walmsley since her appointment as CEO in 2017 in her refreshment of the senior leadership team to drive the delivery of her IPT^{C} priorities for the long-term benefit of shareholders, patients and our other key stakeholders.

Executive management succession

In my Committee report last year, I shared insights on the recruitment of several key senior executive appointments. This included Dr Hal Barron, who joined the Board as Chief Scientific Officer and President, R&D on 1 January 2018 to bring a fresh approach to our R&D business. This process has continued this year and reflects positively both on a strong pipeline of top talent in the organisation and, also, the ability to attract high-quality external hires to bring new perspectives and approaches from outside the business.

Iain Mackay joined the Board from HSBC, to be our next Chief Financial Officer when Simon Dingemans (our current CFO) steps down from the Board as planned in May 2019. Our CFO succession process is described in more detail below.

When Simon informed the Board of his intention to leave the company, the Committee engaged Egon Zehnder, which specialises in the recruitment of high-calibre executives, to carry out a targeted internal and external search for his successor. The Committee compiled a role profile for the next CFO which set out the desired skills.

In the Committee's view, a potential successor to Simon would require a strong technical grasp of reporting, internal controls, and cost and capital discipline. He/she would be familiar with international long cycle businesses, M&A execution and, though not essential, an understanding of manufacturing and R&D. Finally, a successor should be an effective business partner to the CEO, a proven communicator with shareholders and possess a strong set of personal values.

Egon Zehnder initiated a thorough global search against this agreed profile which yielded a pool of candidates, which was then reduced to a shortlist of several potential internal and external candidates. These shortlisted candidates met and were subsequently interviewed by the company's Audit & Risk Committee Chair, the CEO, the Remuneration Committee Chair and me, and our feedback on each candidate was compiled. The Committee also received the CEO's analysis of the candidates and that of the Head of HR. The process culminated with the Committee meeting to agree a recommendation to the Board that Mr Iain Mackay be appointed the next CFO. The recommendation received unanimous Board approval. On 7 August 2018, it was announced that Iain would join the Board as an Executive Director with effect from 14 January 2019.

The Board was pleased to welcome Iain to GSK. He is a proven CFO of a complex, regulated global bank, from his eight years as Group Finance Director at HSBC. He brings tremendous finance experience from different sectors from his time at HSBC, General Electric, Schlumberger Dowell and Price Waterhouse where he trained. He is a strong leader with a track record of driving cost, cash and capital allocation discipline to deliver the strategy.

In addition to the new CFO, the Committee has also reviewed the following internal senior executive appointments to the CET.

Leadership and effectiveness continued

Nominations Committee report continued

James Ford was appointed SVP, General Counsel on 1 August 2018, succeeding Dan Troy who had performed the role at GSK for 10 years. James was previously SVP and General Counsel for Global Pharma. Through his 23-year career with GSK, he has gained wide-ranging legal experience including investigations, complex corporate transactions and litigation in senior roles across the US, Asia and the UK.

Roger Connor was appointed President, Vaccines on 1 September 2018 succeeding Luc Debruyne, who in the last five years of his 27 year career at GSK had been President, Vaccines. Roger has been on the CET since 2012 as President, Global Manufacturing & Supply and led the strategic transformation of GSK's supply chain to support improved quality and supply performance. He has a proven track record of leading a complex, global organisation, developing organisational capability and driving cultural transformation.

Regis Simard was appointed President, Pharmaceutical Supply Chain on 1 September 2018. Regis was previously SVP, Global Pharma Manufacturing and joined GSK in 2005 as a site director in France, having in the past worked in the electronics, medical devices and pharmaceutical industries.

Diana Conrad has been appointed to succeed Claire Thomas as SVP, HR from 1 April 2019 to lead the HR function.

Board composition and diversity

The Board has sought to balance its composition and that of its Committees and to refresh them progressively over time so that they can benefit from the experience of longer serving Directors, and the fresh external perspectives and insights from newer recent appointees.

Non-Executive Directors are drawn from a wide range of industries and backgrounds, including the pharmaceuticals industry and R&D, vaccines, consumer products and healthcare, medical research and academia, and insurance and financial services, and have a wealth of experience of complex organisations with global reach. Many of our Board members have experience of long-cycle industries, which is of assistance in understanding the industry in which we operate.

We are committed to the diversity of our Boardroom just as GSK is committed to equal opportunities for all our employees at all levels of the organisation. The Board and management seek to encourage a diverse and inclusive culture throughout GSK.

A key requirement of an effective board is that it comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals who are prepared to challenge each other and work as a team. This needs to be backed by a diversity of personal attributes, including character, intellect, sound judgement, honesty and courage.

Progress towards our female Board representation and combined Executive Committee and Direct Reports targets of at least 33% by 2020 was published in the FTSE Women Leaders 2018 report, which is reproduced below:

	Female Representation as at 30 June 2018	
2018 Report Female Representation Metrics	**Board**	**Combined Executive Committee and Direct Reports**
2020 FTSE 100 target	**33.0%**	**33.0%**
GSK	**45.5% (2017 – 41.7%)**	**32.5% (2017 – 25.7%)**
FTSE 100 average	30.2% (2017 – 27.7%)	27.0% (2017 – 25.2%)
FTSE 100 highest	50.0% (2017 – 44.4%)	47.0% (2017 – 47.0%)

As at the date of this Report we have 41.7% women on our Board (2017 – 38%) and 21% women on our Corporate Executive Team (2017 – 21%).

Our female Board representation will return to 45.5% when Simon Dingemans steps down from the Board on 8 May 2019.

Closing this gap between the Board and CET gender representation and further increasing the pipeline of female direct reports to the CET to achieve our 2020 target, is a particular area of attention. We are pleased that good progress has been made, such that at this stage we are now almost in line with our 2020 target on combined executive committee and direct reports. The representation of women in management positions at GSK is illustrated on page 28, as part of the gender diversity of GSK's global workforce.

We are in line with the Parker Report's recommendation.

I have decided to step down from the Board. Our SID, Vindi Banga, is leading the process to identify my successor. More details are given below.

Chairman succession: A search process for the next Chairman is underway supported by a global executive search firm. The next Chairman will oversee delivery of the next phase of the company's strategy, continuing to strengthen the pharmaceutical business whilst demerging the consumer business formed through the integration of the Pfizer business with that of GSK. A specification has been agreed covering the key skills, experience and personal characteristics deemed desirable for the role and we are also engaging with shareholders to gather their views. The selection committee for this process has been expanded to include all Non-Executive Directors.

Vindi Banga
Senior Independent Director

Committee evaluation

The Committee's annual evaluation exercise was internally facilitated by the Company Secretary and concluded that the Committee continued to operate effectively. In terms of enhancements, the Committee would seek to augment its review of specialist

The Committee is responsible for developing measurable objectives to support the implementation of the Board's diversity policy, including gender, and monitoring progress towards the achievement of these objectives. Our diversity policy is in line with the measurable targets set out in the:

– Hampton-Alexander Review to increase the number of women in senior leadership positions in all FTSE 350 companies; and
– Parker Review Commission's report 'Beyond One by '21' to increase ethnic diversity appointments on the boards of FTSE 100 companies.

appointments to the Board and CET, such as scientific and financial experts, by co-opting subject matter experts to advise the Committee.

Philip Hampton
Nominations Committee Chair

11 March 2019

Accountability

Audit & Risk Committee report

Judy Lewent
Audit & Risk Committee Chair

Role

The Committee reviews and is responsible for:

- financial and internal reporting processes
- the integrity of the financial statements, including the Annual Report and quarterly results announcements
- the system of internal controls
- identification and management of risks and external and internal audit processes
- initiating audit tenders, the selection and appointment of external auditor, setting their remuneration and exercising oversight of their work.

Membership

Committee members	Committee member since
Judy Lewent – Chair from 1 January 2013	1 April 2011
Vindi Banga	1 January 2016
Lynn Elsenhans	1 January 2014
Dr Laurie Glimcher	1 September 2017

⊕ Details of the Committee members' financial, accounting or scientific experience and expertise are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. The entire Board is invited to attend the Committee meetings and other attendees include:

Attendee	Regular attendee	Attends as required
General Counsel	✓	
Group Financial Controller	✓	
Head of Audit & Assurance	✓	
Head of Global Ethics and Compliance	✓	
Chief Medical Officer	✓	
Chief Product Quality Officer		✓
External auditor	✓	

In accordance with the Financial Reporting Council's UK Corporate Governance Code, the Board has determined that Judy Lewent has recent and relevant financial experience. The Board has also agreed that she has the appropriate qualifications and background to be an audit committee financial expert as defined by the Sarbanes-Oxley Act of 2002, and has determined that she is independent within the meaning of the Securities Exchange Act of 1934, as amended.

Dear Shareholder

In the following pages of this report we aim to share insights into the activities undertaken or overseen by the Committee during the year. The Committee has worked largely to a recurring and structured programme of activities. I devise this programme with the Company Secretary and agree its content with management and the external auditors at the start of each year. It is then adapted as appropriate as the year progresses.

Financial reporting

The integrity of the financial statements, including the Annual Report and quarterly results announcements, is a key focus for the Committee. This includes the Committee's assessment of the effectiveness of the internal controls over financial reporting. The Committee reviewed, at least quarterly, the company's significant accounting matters, including contingent consideration liabilities, revenue recognition and accruals for returns and rebates, restructuring, tax and accounting for significant transactions, as well as the impact of changes to accounting standards.

The Committee's position has always been to aim for clear and transparent financial disclosure in GSK's financial reporting and to support a proactive approach that is in step with or ahead of guidance and requirements from regulators. In line with prior years, the Committee continued to review compliance with the latest guidance and endorsed management proposals to further improve disclosures particularly around the use of Alternative Performance Measures in GSK's 2018 preliminary results and the Annual Report.

External auditor

After a competitive tender exercise Deloitte LLP were appointed the company's new auditor at the 2018 AGM, replacing PricewaterhouseCoopers LLP, after a smooth transition exercise with minimal disruption to the business. I have maintained a strong working relationship with the new audit partner throughout the transition and during the 2018 audit process. Management and Deloitte have also worked closely together, so that Deloitte could develop a deep understanding of GSK's business that it could bring to bear during the 2018 Group audit. We have welcomed the new perspectives and the challenge that Deloitte has brought to the audit. We are also pleased to have observed further improvements in audit quality and efficiencies that have resulted from Deloitte's deployment of data analytics.

The Committee has, as a whole, competence relevant to the sector in which the company operates.

Accountability continued

Audit & Risk Committee report continued

Internal framework for control and risk management developments

This is another core area of focus for the Committee. In 2018, the following developments in Global Ethics and Compliance (GEC), the business units, and across the enterprise, continued to strengthen our controls and culture of compliance and risk management.

Technology user access controls: As part of the Committee's role in assessing the effectiveness of the internal controls over financial reporting, certain technology systems and the associated infrastructure were identified for further focus and consideration by the Committee especially around user access management. Throughout the year, the Committee closely monitored the Group's plans to address the control findings identified. In addition, a further programme was implemented and completed in 2018 to identify and validate the additional layers of controls the Group has established to mitigate this risk area, as well as some further enhancements to these controls.

Enterprise risk management enhancements: The Committee has also overseen the launch of a new Enterprise risk management (ERM) cycle, which provides an end-to-end approach to planning, mitigation and reporting of key Enterprise risks:

– introducing Enterprise risk plans (ERP) for each business, and the Global support function, which set out its risk appetite and tolerance, the expected controls, mitigation actions and monitoring. The Risk Oversight Compliance Council approves and the Committee reviews executive summaries of these ERPs;

– a controlled process of adaptions for ERPs has been established to achieve an appropriate balance between managing Enterprise risks on a consistent basis, while providing a measure of risk-based flexibility for various parts of the organisation where justified;

– making Enterprise risk reports more data-focused to generate more informed discussion of risk exposure and mitigation; and

– the Committee agreed to separate Information protection into two separate Enterprise risks – Information security and Privacy.

Privacy: During the year, the Privacy Centre of Excellence delivered a change programme to improve and sustainably manage GSK's data privacy compliance, whilst ensuring compliance with the General Data Protection Regulation that became law in May 2018. This included:

– the implementation of a new control framework;

Enterprise risk framework and strategies: During the year, the Committee considered GSK's Enterprise risks and the strategies to address them. These reviews were undertaken through:

– annual business unit risk and assurance update reports;

– enterprise risk strategy papers for each of our most significant risks;

– annual risk reviews contained in the Risk Management & Internal Control Report which is presented by the Head of GEC.

As part of its review, the Committee assesses whether the key Enterprise risks affecting the unit are being managed and mitigated in a proportionate way. The Committee examines whether it is satisfied with the control environment, its operation and effectiveness and whether refinements that management propose (to ensure the environment remains fit for purpose) are appropriate. It also assesses the commitment of the business unit's leadership to maintain a strong controls culture.

Each business reported on key Internal Control Framework (ICF) improvements and simplification activities to further improve how we manage risks. These are summarised below.

Pharmaceuticals: An overall Pharmaceuticals Leadership Team Risk Management and Compliance Board (RMCB) was established, providing an improved governance structure better aligned to the organisation and strengthening connections between the regional and country RMCBs. In addition, the Distributor Control Framework was designed and implemented by Export Markets, simplifying management monitoring and enabling our third-party audits to focus on high risk distributors. The General Manager confirmation process continued to be a key focus with targeted discussions at RMCBs, a better understanding of global mitigation actions, and accountability for local control efforts. In addition, a Site Director confirmation was run for the first time in 2018 with the End 2 End supply chain review.

Vaccines: Comprehensive risk reviews were carried out for key assets such as *Shingrix* and *Bexsero*. The GEC Independent Business Monitoring team also conducted its first review of Vaccines focusing on high risk areas primarily within commercial, medical and external R&D, with confirmation that controls are working as intended. Monitoring of sites through the corporate Environment, Health, Safety & Sustainability (EHSS) Assurance Group was also established and an R&D mapping exercise was performed to evaluate the need for IBM in key business activities. No gaps were identified, and the next verification exercise is planned for 2019.

Consumer Health: Key risk themes from monitoring and audit findings were reviewed to identify high risk areas for enhanced risk management and low risk areas for clearer guidance and policy simplification. An improved management monitoring toolkit was developed as well as a new tool assessing country risk, incorporating culture, commercial and qualitative criteria.

– remediation of certain existing business activities, including adopting privacy controls, such as privacy contract terms, written records of processing activities, and data protection impact assessments; and

– a comprehensive training programme to drive greater expertise, awareness and accountability for managing personal information across the entire organisation.

Further details on our approach to data privacy issues is given on page 31.

Audit & Risk Committee report continued

Emerging risks: For a number of years the Committee has been considering emerging risks at each scheduled meeting. This year, these discussions were enhanced by the results of the Audit & Assurance (A&A) team's Political, Economic, Social, Technological, Legal and Environmental (PESTLE) external analysis of emerging risks. The Committee is also examining the leveraging of new technology and risk scanning services to better support identification of emerging risks.

Written standards: During 2018 a review of GSK's most important, global written standards has been undertaken to further simplify and harmonise written standards and controls to make them easier to access and understand.

Monitoring and compliance activities

Monitoring is a key element of our ICF. It provides a continuous source of insights that inform improvements in the control environment and there was significant focus by each of our businesses in this area in 2018. This included consolidated and streamlined business monitoring and improved coordination between Enterprise risk owners, businesses and monitoring groups. In addition, a new Travel and Expenses system was implemented with control enhancements utilising artificial intelligence and enhanced data analytics.

During 2018, GEC introduced an Early Case Assessment phase to its investigation process. This empowers an investigator to quickly determine the most appropriate action, improve the quality of the investigation and ensure a more productive use of resources.

The Investigations team have sought to further increase trust in our Speak Up channel arrangements by updating processes to promote better quality decision making and improved monitoring of lead indicators. In addition, the Investigations training and education programme has been improved with more investigation work performed in-house. This has resulted in a significant reduction in the cost of external support. In 2018, a further 70 HR, Compliance and Legal based employees have been trained in investigative interviewing techniques.

GSK Values & Expectations

These are a high priority for the Committee. During the year, a range of employee resources were introduced to promote awareness, help facilitate discussions and bring values and expectations to life for employees. These resources included Living our Values and Expectations discussion guides, expectations descriptors and Let's Talk channels. In April 2018, GEC updated GSK's Code of Conduct to make it shorter, simpler and easier to use.

The A&A team has conducted 18 Values Assurance Reviews (VARs) during 2018 to test how well our values and expectations are embedded in the organisation. These have identified follow up action areas including: creating an environment where people are comfortable to speak up; continuing to develop managers' leadership capabilities; addressing perceptions of complexity and continuing to drive simplification efforts; and raising awareness of GSK's expectations and what they mean in the context of an employee's roles.

GEC has continued to focus on people development and building capabilities, including:

Ethics and Compliance Academy: A Virtual Academy run on a quarterly basis.

Anti-bribery and corruption (ABAC): The ABAC training strategy evolved to provide tailored and targeted modules based on employees' roles and responsibilities, with a particular emphasis on further enhancing the skills of those who conduct high risk business activities on behalf of the company.

Privacy certification: The privacy function offered a globally recognized professional privacy certification from the International Association of Privacy Professionals.

Code of Conduct: The annual mandatory training on our Code of Conduct was delivered in two parts and focused on living our values and expectations and ABAC. This was supplemented by the introduction of microlearning modules that can be taken at any time.

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary who interviewed Committee members on behalf of the Committee Chair. It was concluded that the Committee continued to operate effectively. In terms of enhancements, it was agreed to continue:

– the good progress made during 2018 in ensuring Committee papers are concise and accessible to facilitate productive discussion; and

– to work with the Nominations Committee on succession planning for the Committee Chair and for Board and Committee members with financial experience.

Judy Lewent
Audit & Risk Committee Chair

11 March 2019

Accountability continued

What the Committee did during 2018

Areas of Committee focus	Items discussed	Frequency
Financial reporting	– Reviewed integrity of draft financial statements, appropriateness of accounting policies and going concern assumptions	A
	– Considered approval process for confirming and recommending to the Board that the 2017 Annual Report is fair, balanced and understandable	A
	– Reviewed and recommended to the Board approval of the 2017 Annual Report and Form 20-F	A
	– Reviewed and approved Directors' expenses	A
	– Reviewed and recommended approval of quarterly and preliminary results announcements, dividends and earnings guidance	Q
	– Reviewed significant issues in relation to the quarterly and preliminary results	Q
	– Reviewed and recommended inclusion of the Viability Statement in the 2017 Annual Report	A
	– Reviewed the financial reporting framework and disclosure arrangements	A
	– Reviewed major restructuring reports	Q
	– Reviewed accounting developments and their impacts as well as key accounting issues	P
External auditor	– Canvassed observations of the outgoing Audit Partner on the company, the Committee and the Finance organisations	S
	– Reviewed and approved audit/non-audit expenditure incurred during 2017	A
	– Considered the auditor's report on the 2017 annual results	A
	– Performed evidence-based assessment of external auditor and the effectiveness of 2017 external audit	A
	– Considered qualifications, expertise and independence of the external auditor	A
	– Recommended to the Board the appointment of Deloitte and for the Committee to agree auditor's remuneration	A
	– Approved the 2018 audit plan and fee proposal and set performance expectations for auditor for the year	A
	– Considered non-audit services fees for 2018 and the 2019 audit budget	A
	– Considered initial results of 2018 external audit	P
	– Considered internal control over financial reporting	A
Global internal control & compliance	– Reviewed assurance reports from Global Pharmaceuticals (including R&D and ViiV Healthcare), Vaccines and Consumer Healthcare, as well as the Global Support functions	A
	– Reviewed GSK's internal control framework and controls over financial reporting	A
	– Reviewed Technology access controls and closely monitored plans to address control findings identified and the programme to validate mitigation	P
	– Confirmed compliance with Sarbanes-Oxley Act	A
	– Received independent external evaluation outcomes of Audit & Assurance	P
	– Reviewed Audit & Assurance work during 2017 and approved the planned work for 2018	A
	– Reviewed the US Corporate Integrity Agreement	P
	– Reviewed implementation of the enhancements to the Healthcare professional engagement policy	P
	– Reviewed General Data Protection Regulation readiness and compliance	P
	– Received litigation reports and updates	S
	– Received reports on ongoing investigations and on Anti-bribery and corruption (ABAC) issues	S
Risk	– Reviewed risk management framework compliance	A
	– Reviewed the risk elements of group treasury, pensions, risk and insurance and tax policies	A
	– Agreed a new approach to enterprise risk management	P
	– Received status reports on each of the company's 11 Enterprise Risks (these Risks are disclosed on pages 34 and 35)	P
	– Received fraud, site security and cyber security risk assessment update	P

	– Received updates on the implications and planning for Brexit	P
	– Received Risk Oversight and Compliance Council (ROCC) meeting updates	S
	– Considered emerging risks	S
Governance and other matters	– Confirmed compliance with the UK Corporate Governance Code	A
	– Reviewed the Committee's terms of reference and confirmed that they had been adhered to during 2018	A
	– Received corporate governance updates	P
	– Reviewed the Committee's performance and effectiveness	A
	– Reviewed and approved the Group's Modern Slavery Act Statement	P
	– Reviewed the company's gender pay gap disclosures	A
	– Met privately and separately with the Heads of Global Ethics & Compliance, Audit & Assurance, and the General Counsel	P
	– Met privately with the external auditor at the end of each meeting as appropriate	S

Committee Activity Key A Annually Q Quarterly P Periodically S Standing

Significant issues relating to the financial statements

In considering the quarterly financial results announcements and the financial results contained in the 2018 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk, the actions undertaken to quantify the effects of the relevant issues and the judgements made by management on the appropriate accounting required to address those issues in the financial statements.

The significant issues considered in relation to the financial statements for the year ended 31 December 2018 are set out in the following table, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditor have discussed the significant issues addressed by the Committee during the year and the areas of particular audit focus, as described in the Independent Auditor's Report on pages 128 to 139.

Significant issues considered by the Committee in relation to the financial statements	How the issue was addressed by the Committee
Going concern basis for the preparation of the financial statements	The Committee considered the outcome of management's half-yearly reviews of current and forecast net debt positions and the various financing facilities and options available to the Group. Following a review of the risk and potential impact of unforeseen events, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.
Revenue recognition, including returns and rebates (RAR) accruals	The Committee reviewed management's approach to the timing of recognition of revenue and accruals for customer returns and rebates. The US Pharmaceuticals and Vaccines accrual for returns and rebates was £4.4 billion at 31 December 2018 and the Committee reviewed the basis on which the accrual had been made and concurred with management's judgements on the amounts involved. A fuller description of the process operated in the US Pharmaceuticals and Vaccines business in determining the level of accrual necessary is set out in 'Critical accounting policies' on page 63.
Provisions for legal matters, including investigations into the Group's commercial practices	The Committee received detailed reports on actual and potential litigation from both internal and external legal counsel, together with a number of detailed updates on investigations into the Group's commercial practices. Management outlined the levels of provision and corresponding disclosure considered necessary in respect of potential adverse litigation outcomes and also those areas where it was not yet possible to determine if a provision was necessary, or its amount. At 31 December 2018, the provision for legal matters was £0.2 billion, as set out in Note 29 to the financial statements, 'Other provisions'.
Provisions for uncertain tax positions	The Committee considered current tax disputes and areas of potential risk and concurred with management's judgement on the levels of tax contingencies required. At 31 December 2018, a tax payable liability of £1.2 billion, including provisions for uncertain tax positions, was recognised on the Group's balance sheet.
Impairments of intangible assets	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. The Committee accepted management's judgements on the intangible assets that required writing down and the resulting impairment charge of £134 million in 2018. See Note 19 to the financial statements, 'Other intangible assets' for more details.
Valuation of contingent consideration in relation to ViiV Healthcare	The Committee considered management's judgement that following the further improved sales performance of *Tivicay* and *Triumeq* it was necessary to increase the liability to pay contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture. At 31 December 2018, the Group's balance sheet included a contingent consideration liability of £5.9 billion in relation to ViiV Healthcare. See Note 39 to the financial statements, 'Contingent consideration liabilities' for more details.
ViiV Healthcare put option	The Committee reviewed and agreed the accounting for the Pfizer put option and concurred with management's judgement on the valuation of the put option of £1.2 billion at 31 December 2018.

Accountability continued

Auditor's appointment

External auditor

Following an audit tender process conducted by the Committee which concluded in December 2016, Deloitte's appointment as the auditor of the company and the Group was approved by shareholders at the GSK AGM in May 2018. There were no contractual or similar obligations restricting the Group's choice of external auditor.

Deloitte observed PricewaterhouseCoopers, (PwC) work as GSK's previous statutory auditor during the 2017 year end auditing process. A full report on the transition process between PwC and Deloitte is included on pages 103 and 104 in GSK's 2017 Annual Report.

The Committee considers that during 2018, the company has complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Statutory Audit Services Order 2014.

Effectiveness and quality of external audit process

The Committee is committed to ensuring on an ongoing basis that GSK receives a high quality and effective audit from its external auditors. In evaluating Deloitte's performance during 2018, prior to making a recommendation on their re-appointment in early 2019, the Committee reviewed the effectiveness of their performance against the criteria which it agreed, in conjunction with management, at the beginning of 2018. The criteria are set out on page 85.

In undertaking this review, the Committee considered the overall quality of the audit, the independence of Deloitte and whether they have exhibited an appropriate level of challenge and scepticism in their work. Because Deloitte had recently been appointed GSK's auditor, their length of tenure was not taken into account when assessing their independence and objectivity.

Finally, the Committee considered feedback on the 2018 external audit through a survey that sought views from the financial management team at corporate and business unit level. It covered:

– effectiveness of challenge by the auditor, their integrity and the transparency of their reporting to management and the Committee;

– clarity of communication by the auditor and their ways of working;

– alignment of the 2018 audit to the Group's investment in SAP;

– quality of the audit team's leadership; and

– skills and experience of the audit team.

Having reviewed all this feedback, and noted any areas of improvement to be implemented in respect of the team on the 2019 audit, the Committee:

– was satisfied with the effectiveness of the auditor and the external audit process; and

– was satisfied with the auditor's independence, qualifications, objectivity, expertise and resources.

The Committee therefore recommended to the Board the re-appointment of Deloitte at the forthcoming AGM.

Auditor's appointment continued

The detailed criteria the Committee used for judging the effectiveness of Deloitte as the external auditor and their overriding responsibility to deliver a smooth-running, thorough and efficiently executed audit for 2018 are set out below:

Performance expectations for GSK's external auditors 2018

Audit approach and strategy	– Leverage a centrally controlled audit approach, ensuring that GSK's group, joint ventures and local statutory entities were audited once and once only – Refine a consistent technology-led audit with enhanced risk assessment and analytical procedures, providing insights that combine data trend analysis, process cycle pathways, and the identification of audit risks, ensuring a well-informed and efficient audit – Deliver a focused and consistent audit approach globally that reflects local risks and materiality
High quality independent audit	– Adhere to all independence policies (GSK's, FRC's 2016 Revised Ethical Standard and applicable SEC standards) – Maintain a relentless focus on audit quality and Deloitte's internal quality control procedures – Provide timely clarity on assessments of accounting treatments and ensure consistency of advice at all levels – Maintain a forward-thinking approach by raising potential issues or concerns as soon as identified – Provide timely up-to-date knowledge of technical and governance issues, including evolving market practice on the viability statement requirements, ESMA/SEC guidelines and new IFRSs (i.e. IFRS 16) – Serve as an industry resource, communicating best practice trends in reporting and integrated reporting – Provide high quality and succession planning of key staff members of Deloitte and ensure their technical skillsets are continuously enhanced

Effective partnership	– Deliver a smooth running, thorough and efficiently executed audit by:
	  – Discussing approach and areas of focus in advance and early engagement on understanding the implications of the new operating model
	  – Ensuring SOX scope and additional procedures are discussed and endorsed by corporate management and communicated on a timely basis within GSK and Deloitte
	  – Avoiding surprises through timely reporting of issues at all levels within the Group
	  – Early engagement on and provision of impact assessments of key judgements
	  – Ensuring clarity of roles and responsibilities between local Deloitte and Finance Services
	  – Responding to any issues raised by corporate management on a timely basis
	  – Meeting agreed deadlines
	  – Providing sufficient time for management to consider draft auditor reports and respond to requests and queries
	  – Consistent and timely communication and engagement between local and central audit teams, and across all GSK stakeholder groups
	– Liaise with Audit & Assurance to avoid duplication of work and Global Ethics and Compliance to ensure a common understanding of audit outcomes, adopting a collaborative approach to solving issues
	– Ultimately provide a high-quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity

Auditor transition	– Ensure a seamless, effective, and efficient auditor transition from PwC to Deloitte by maximising the use of relevant information provided by PwC in respect of the 2016 and 2017 audits of the company and its subsidiaries in relation to the audit of the Group's consolidated accounts
Value for money	– Work closely with management to agree on scope changes, overruns and efficiencies and set clear milestones for continuous monitoring – Provide transparency of audit time and cost incurred analysis against budget, identifying areas that will enable reduction in audit hours without compromising audit quality and commensurately reducing audit fees

Accountability continued

Non-audit services

Where possible, other accounting firms are engaged to undertake non-audit services.

Where the external auditor is permitted to provide non-audit services (such as audit-related, tax and other services), in accordance with GSK's policy contained in GSK's Finance Manual, the Committee ensures that auditor objectivity and independence are safeguarded by requiring pre-approval by the Committee.

The following core policy guidelines on engaging the external auditor to provide non-audit services are observed:

- **Process:** ensuring all non-audit services over £50,000 are put out to competitive tender with financial service providers other than the external auditor, in line with the Group's procurement process, unless the skills and experience of the external auditor make them the only suitable supplier of the non-audit service under consideration;
- **Safeguards:** ensuring adequate safeguards are in place so that the objectivity and independence of the Group audit are not threatened or compromised; and
- **Fee cap:** ensuring that the total fee levels do not exceed 50% of the annual audit fee, except in special circumstances where there would be a clear advantage in the company's auditor undertaking such additional work.

The company's current policy complies with the Financial Reporting Council's (FRC) 2016 Revised Ethical Standard and the EU Audit Regulation and the Sarbanes-Oxley Act of 2002. The policy contains the following three guidelines:

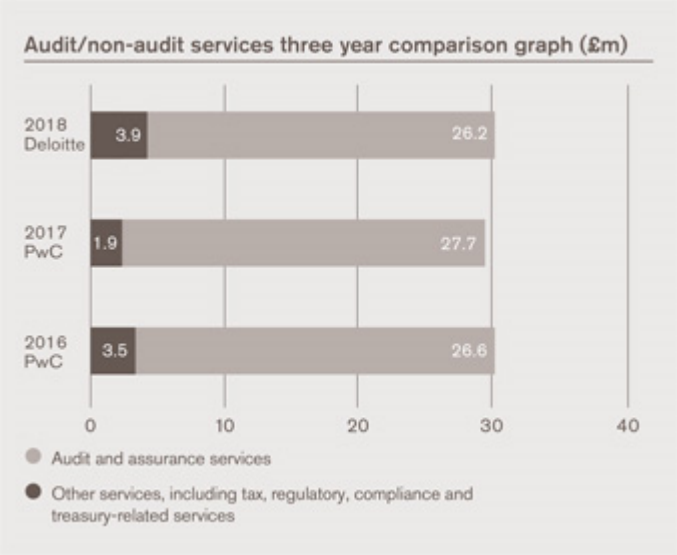
Fee cap: GSK's policy cap of 50% of the annual audit fee cap is more stringent than the FRC's fees cap set at 70% of the average fees for the preceding three-year period.

Prohibitions: GSK's policy includes a 'black list' of prohibited non-audit services.

Pre-approval: The category-wide pre-approval process reflects the restrictions in the FRC's 2016 Guidance on Audit Committees, so that all non-audit services:

- over £50,000 are pre-approved by the Committee Chairman and CFO as delegated by the Committee;
- between £25,000 and £50,000 are pre-approved by the Group Financial Controller; and
- under £25,000 are approved by a designate of the Group Financial Controller.

Fees paid to the company's auditors and its associates are set out below. Further details are given in Note 8 to the financial statements, 'Operating profit'.



Fair, balanced and understandable assessment

One of the key compliance requirements of a group's financial statements is for the Annual Report to be fair, balanced and understandable. The coordination and review of Group-wide contributions into the Annual Report follows a well-established and documented process, which is performed in parallel with the formal process undertaken by the external auditors.

Code of Conduct and reporting lines
We also have a number of well-established policies, (including a Code of Conduct), which are available on the Governance section of our website, together with details of our confidential Speak Up reporting lines for the reporting and investigation of unlawful conduct. An updated version of the Code of Conduct was last published in April 2018.

The Committee received a summary of the approach taken by management in the preparation of GSK's 2018 Annual Report to ensure that it met the requirements of the FRC's 2016 UK Corporate Governance Code. This enabled the Committee, and then the Board, to confirm that GSK's 2018 Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Internal control framework

The Board recognises its obligation to present a fair, balanced and diligent assessment of GSK's current position and prospects. The Board is accountable for evaluating and approving the effectiveness of the internal controls, including financial, operational and compliance controls, and risk management processes operated by GSK.

The Internal Control Framework (the Framework) is a comprehensive enterprise-wide risk management model and the means by which GSK ensures the reliability of financial reporting and compliance with laws and regulations. The Framework supports the continuous process of the Board's identification, evaluation and management of the Group's Principal Risks, as required by the Financial Reporting Council's (FRC's) UK Corporate Governance Code (the Code), and is designed to manage the risk of not achieving business objectives.

A fit for purpose Framework, in conjunction with our corporate values, expectations and Speak Up processes, ensures that the risks associated with our business activities are actively and effectively controlled in line with the agreed risk appetite. We believe the Framework provides reasonable, but not absolute, assurance against material misstatement or loss.

The Group's Risk Oversight and Compliance Council (ROCC), a team of senior leaders, is mandated by the Board to assist the Committee in overseeing risk management and internal control activities. It also provides the business with a framework for risk management and upward escalation of significant risks. Each business unit has a risk board structure which reports to the ROCC. The business unit Risk Management and Compliance Boards (RMCBs) are responsible for promoting the local 'tone from the top' and risk culture, as well as ensuring effective oversight of internal controls and risk management processes.

Each Principal Risk has an assigned risk owner who is a member of senior management. The risk owner is accountable for the management of his/her respective Principal Risk, including the setting of risk mitigation plans, their implementation and for reporting on the risk management approach and progress to the ROCC and the Committee every year. The ROCC and the RMCBs are assisted by Global Ethics and Compliance (GEC), which is responsible for advancing risk management across the enterprise and for the development of working practices that are risk-based and ethically sound. GEC actively promotes ethical behaviours through enabling all members of the organisation to operate in accordance with our values, and to comply with applicable laws and regulations.

Audit & Assurance (A&A), in line with an agreed assurance plan, provides independent assurance to senior management and the Board on the effectiveness of risk management across the Group. This assurance helps senior management and the Board to meet their oversight and advisory responsibilities in fulfilling the Group's strategic objectives and building trust with patients and other stakeholders. A&A has a dual reporting line into the Chief Financial Officer and the Committee.

The Committee receives regular reports from business units, Principal Risk owners, GEC and A&A on areas of significant risk to the Group and on related internal controls. These reports provide an assessment on the internal control environment within each Principal Risk area, including enhancements to strengthen the control environment. Following the consideration of these reports, the Committee concludes on the effectiveness of the internal control environment and reports to the Board annually. In accordance with the FRC's Code provisions, the Board, through the authority delegated to the Committee, has conducted a robust assessment of the Group's Principal Risks. This includes the consideration of the nature and extent of risk it is willing to take in achieving the Group's strategic objectives. The Board, through

the Committee, has maintained oversight to ensure the effectiveness of the internal control environment and risk management processes in operation across the Group for the whole year, and up to the date of the approval of this Annual Report.

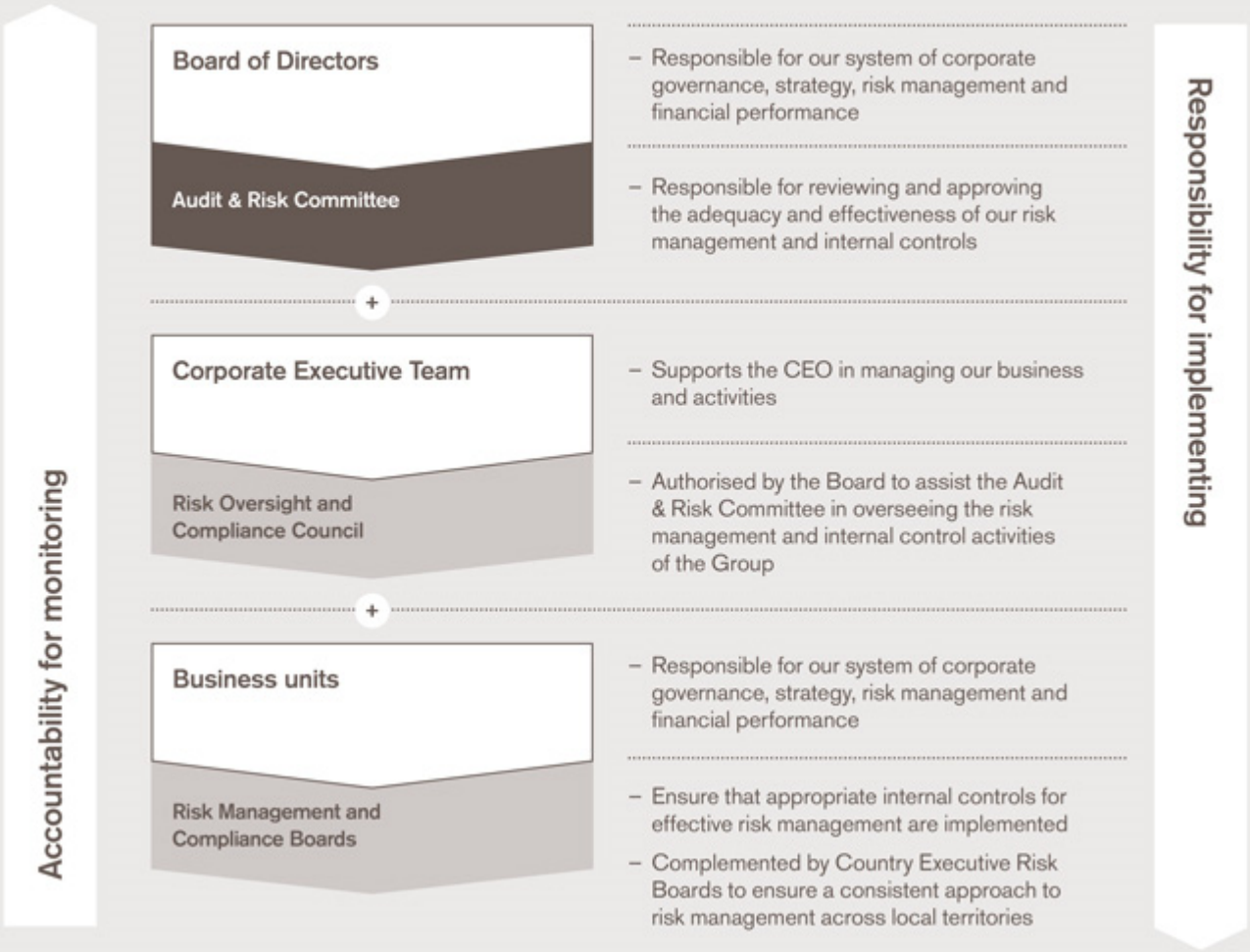
Accountability continued

Internal control framework continued

The Board's review focuses on the company and its subsidiaries and does not extend to material associated undertakings, joint ventures or other investments, although it considers the risk of the company's participation in these activities. There are established procedures and controls in place to identify entities whose results must be consolidated with the Group's results. We believe the process followed by the Board, through the Committee, in reviewing regularly the system of internal controls and risk management processes is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

A review of the Group's risk management approach is further discussed in the 'Risk management' section of the Strategic report on pages 34 to 36. Our management of each Principal Risk is explained in 'Principal risks and uncertainties' on pages 241 to 250. The Group's viability is discussed in the Group financial review section of the Strategic report on page 37.

Governance structure of risk management



Relations with stakeholders

Engagement activities

In the performance of its legal duty to promote the success of the company, the Board has regard to a number of factors, including listening to and considering the views of shareholders and other key stakeholders and is cognisant of the potential impacts of decisions it makes on our stakeholders, the environment and the communities in which we operate.

Our principal Board Committees have delegated powers that enable a more in-depth assessment of the impacts of the company's wider engagement with stakeholders. It also provides a means of identifying emerging stakeholder-related issues that can be brought to the attention of the Board, which in turn enables us to further invest in activities to build trust in our reputation for operating responsibly to deliver on our purpose.

Engagement with the company's main stakeholder groups, including our patients, shareholders, consumers, customers and employees, at all levels of the organisation and across the enterprise is summarised on page 11. The Board's interactions with two of the company's main stakeholder groups – shareholders and people – are set out in more detail below.

All shareholders

We try to engage with shareholders in several ways. This includes regular communications, the AGM and other investor relations activities. We announce our results on a quarterly basis and our annual results are included in our Annual Report. All shareholders receive an Annual Summary which advises them that our Annual Report and Notice of our Annual General Meeting are available.

Our major shareholders

During the year, after publication of our quarterly results, the CEO, Emma Walmsley, and CFO, Simon Dingemans, gave presentations to institutional investors, analysts and the media by webcast teleconference. In July, Emma and Dr Hal Barron held an R&D update event at which they announced a new approach to R&D that is designed to capitalise on the assets in the company's promising early-stage pipeline and build the next wave of growth for GSK for the benefit of patients and shareholders. This update to our major shareholders concluded with a Q&A session.

Emma and Simon maintain a continual and active dialogue with institutional shareholders on performance, plans and objectives through a programme of regular meetings. During the year, they held a total of 83 individual meetings with major shareholders and they have hosted a total of 27 group meetings with major shareholders and potential major shareholders.

Philip Hampton also meets with major shareholders to hear their views and discuss issues of mutual importance. He then communicates their views to the rest of the Board. During the year, he held six individual meetings with major shareholders on a range of issues. Our Senior Independent Non-Executive Director (SID) and our other Non-Executive Directors are available to meet with major shareholders.

We normally hold a governance event at the end of each year with institutional shareholders, key investment industry bodies and influential proxy advisory firms, at which the Chairman, SID and each of our Committee Chairs discuss particular areas of focus associated with our corporate governance, corporate responsibility and remuneration arrangements. The governance event for 2018 was cancelled as the company was in possession of inside information ahead of its announcement of the proposed joint venture with Pfizer's consumer healthcare business.

On a continuing basis, our Investor Relations department, with offices in London and Philadelphia, acts as a focal point for communication with institutional investors. Our Company Secretary acts a focal point for communications on corporate governance matters. We also have a small central Corporate Responsibility (CR) team which coordinates strategy, policy development and reporting specifically with respect to CR. The team communicates with socially responsible investors and other stakeholders.

Our retail shareholders

The Company Secretary acts as a focal point for retail investors and manages key relationships with the company's registrars, Equiniti in the UK and The Bank of New York Mellon, who administer our ADR programme in the US.

Relations with stakeholders continued

Engagement activities continued

Annual General Meeting

All shareholders are invited to attend our Annual General Meeting. This year's AGM will be held in May at the Sofitel London Heathrow Hotel.

Our 2018 AGM had a good level of attendance and engagement by shareholders. All our proposed resolutions were approved by shareholders. The level of support ranged from 90% to 99%. The AGM provides an opportunity to put questions to our Board and the Chairs of each of our Board Committees during the formal AGM proceedings, while providing shareholders the chance to meet informally with our Board Directors who will make themselves available before the meeting.

Our people

The Board is fully supportive of the Group's commitment to being a progressive, modern employer to attract, retain and motivate the very best talent and drive high levels of employee engagement. A key transformation priority for the CEO is to evolve the culture of the company to enhance business performance. Our strategic success relies on our ability to engage our employees behind the delivery of the company's long-term IPT priorities. Therefore, employee engagement is a key barometer for measuring how people feel working for GSK and the tools we use to measure our people's views are discussed on page 28.

Stakeholder engagement, see page 11

Modern employer, see page 28

Trust, see page 24

Shareholder information, see page 251

Workforce Engagement Director

To underscore the Board's commitment to strengthen its engagement with our people and to gather their views, it has designated one of our independent Non-Executive Directors, Dr Vivienne Cox, as the company's Workforce Engagement Director in December 2018.

The Board firmly believes that this formal model of engagement:

- is most likely to best connect our pre-existing employee engagement activity and employee voice channels with boardroom decision-making to promote meaningful engagement;
- provides a regular platform for the independent element of the Board to have direct conversations with the workforce, individually and in group settings, to gain insights into their experiences, concerns and perspectives, and to better understand whether the cultural change already underway is embedding in the organisation to support our IPT^{C} priorities; and
- is therefore the model most likely to add immediate value.

A programme of activities is being compiled to ensure that Vivienne is accessible to the workforce and to gather their feedback for consideration by the Board.

She is looking forward to sharing her insights and experiences gained as our Workforce Engagement Director in next year's Annual Report.

Science Committee report

Dr Jesse Goodman
Science Committee Chair

Role

The Committee:

- undertakes periodic reviews of R&D strategy and progress
- assesses the overall performance, including relevant financial metrics, effectiveness and competitiveness of R&D
- helps identify critical emerging trends in science and medicine and their potential impact on the company
- undertakes periodic reviews of the company's scientific capability and talent
- reviews the scientific opportunity in specific large scale investments or business transactions
- reviews the output of the Group's science advisory boards.

Membership

Committee members	Committee member since
Dr Jesse Goodman – Chair from 1 January 2017	1 January 2017
Dr Laurie Glimcher	1 September 2017
Judy Lewent	1 January 2017
Professor Sir Roy Anderson	1 January 2017 until 3 May 2018

LOGO Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Company Chairman	✓	
Chief Executive Officer	✓	
Chief Scientific Officer and President, R&D	✓	
President, Global Vaccines		✓
Independent senior external scientific adviser(s)		✓
Chief Financial Officer		✓
Other company executives		✓

Dear Shareholder

- oversight of R&D projects portfolio governance; and
- R&D's culture, talent, capabilities and incentive arrangements.

In particular in 2018, the Committee reviewed the key features of Dr Barron's new approach to R&D, which focuses on science related to the immune system, the use of human genetics and advanced technologies to help identify the next generation of transformational medicines for patients.

The Committee has reviewed several assets currently in clinical development and notes the significant progress made to strengthen the pharmaceuticals pipeline, particularly in the area of oncology. The company currently has 46 assets in development, with 33 immunomodulators, of which 16 are focused on oncology. In addition, the Committee has considered from a scientific perspective and was pleased to recommend to the Board the following key business development transactions:

Tesaro: strengthening the Pharmaceuticals pipeline with the acquisition of this oncology-focused biopharmaceutical company. It has a major marketed project, *Zejula*, which is an oral poly ADP ribose polymerase (PARP) inhibitor approved in the US and Europe for adults with recurring ovarian cancer. We believe PARP inhibitors also offer significant opportunities for treating patients with many other cancer types. Several other promising oncology assets were also acquired as part of this transaction, including a PD-1 inhibitor (dostarlimab) currently being studied for endometrial cancer.

23andMe: forming this exclusive collaboration with the world's leading consumer genetics and research company. This will combine our scientific and medical knowledge with large-scale genetic resources and unique data science skills, improving the probability of R&D success.

Merck: agreeing a proposed global strategic alliance with Merck KGaA, Darmstadt, Germany to jointly develop and commercialise M7824. This is an investigational bifunctional fusion protein immunotherapy that is currently in clinical development, including potential registration studies, for multiple difficult-to-treat cancers. This includes a phase II trial to investigate M7824 compared with pembrolizumab as a first line treatment in patients with PD-L1 expressing advanced non-small cell lung cancer.

Committee evaluation

The second annual evaluation of the Committee was internally facilitated by the Company Secretary. In terms of enhancements, as the Committee settles into its role, consideration would be given to how it refines its work and focus to exercise effective oversight of the embedding of the new R&D strategy.

Next steps

I am pleased to present my second report of the Science Committee's activities (the Committee).

During 2018, the Committee has sought to further evolve its ways of working and oversight of R&D to support the Board and Dr Hal Barron in considering our science, pipeline and R&D strategy and priorities.

The Committee has developed an annual programme of activities to support its core role of R&D oversight to help discharge its responsibilities. Items for consideration by the Committee include receiving:

– regular updates on the Pharmaceuticals and Vaccines priority assets;

– regular R&D strategy updates;

The Committee will continue to review how the new approach to R&D is progressing and the culture change underway in R&D, and expects to see major data readouts and news flow on several new medicines in 2019. Finally, I would like to thank Professor Sir Roy Anderson who stood down from the Committee, when he retired from the Board in May, for his significant contribution to helping me shape the role and focus of the Committee.

Dr Jesse Goodman
Science Committee Chair

11 March 2019

Corporate Responsibility Committee report

Lynn Elsenhans
Corporate Responsibility Committee Chair

Role

The Committee reviews:

- external issues that have the potential for serious impact upon GSK's business and reputation
- oversight of the views and interests of internal and external stakeholders
- consideration of GSK's Trust priority and annual governance oversight of progress against GSK's commitments which reflect the most important issues for responsible and sustainable growth

Membership

The membership of the Committee and appointment dates are set out below:

Committee members	Committee member since
Lynn Elsenhans – Chair from 8 May 2015	1 October 2012
Dr Vivienne Cox	1 July 2016
Dr Jesse Goodman	1 May 2016
Professor Sir Roy Anderson	1 May 2016 until 3 May 2018

Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Chief Executive Officer	✓	
Company Chairman	✓	
Chief Scientific Officer and President, R&D	✓	
General Counsel	✓	
President, Global Affairs	✓	
President, Pharma Supply Chain	✓	
President, Global Pharmaceuticals	✓	
President, Global Vaccines		✓
CEO, GSK Consumer Healthcare		✓
Head of Human Resources		✓
SVP, Corporate Affairs		✓
VP, Trust and Global Health	✓	
Other Executives		✓
Independent external corporate responsibility adviser	✓	

Dear Shareholder

As Chair of the Corporate Responsibility Committee (the Committee) I am pleased to present the Committee's 2018 report.

The Committee forms an important part of the Board's oversight of the Company's responsible business agenda, ensuring management is working to deliver long-term value for both shareholders and society. The Committee has a rolling agenda and receives reports from members of the CET and senior managers to ensure that progress in meeting our responsible business commitments is reviewed on a regular basis.

Committee membership

Committee members bring a wide range of sector experience, insight and stakeholder perspectives to help provide oversight on these topics. This helps monitor the company's work to engage effectively with its key stakeholders and to assess if the company is operating in a way that seeks to meet the high external expectations of GSK as a global healthcare company.

During the year, Professor Sir Roy Anderson stood down from the Committee when he retired from the Board in May 2018. I greatly appreciated the insights that he brought to the work of the Committee during his tenure, including the development of the new commitments to support the delivery of GSK's Trust priority.

I was pleased to invite Regis Simard, President Pharma Supply Chain, to attend the Committee on a regular basis. Regis has responsibility for product quality and environment, health, safety & sustainability (EHSS); vital areas of the company's operations over which the Committee exercises oversight.

Areas of focus in 2018

The Committee has again focused on topics that are material to the company's purpose, strategy, values and expectations. The Committee plays an integral role in the oversight of GSK's responsible business commitments. This year, the work of the Committee included continued oversight of the development of a new set of focused commitments to support the Company's Trust priority. These new commitments build on a strong performance in responsible business over many years and are set in the context of external trends and stakeholder expectations. The framework surrounding these commitments had been subject to review by key stakeholders after which their feedback was incorporated to further strengthen its design and operation. The Board was pleased to support the Committee's recommendations.

The new framework identifies 13 commitments across three focus areas where the company can maximise its social impact: using science and technology to address health needs; making products affordable and available; and being a modern employer. These focus areas are supported by commitments across the fundamentals of

being a responsible healthcare company: reliable supply; ethics and values; data and engagement; and the environment.

Corporate Responsibility Committee report continued

During the year, management presented to the Committee on a number of topics across the breadth of the Trust priority:

Using science and technology to address health needs: The Committee reviewed proposals from management for a new global health strategy, designed to align to the company's IPT^{C} strategy. The new approach is more focused to achieve maximum social impact to support the strategic theme of fighting infectious diseases impacting children and young people in developing countries. The Committee discussed the importance of end-to-end planning of global health assets – through partnering with others from R&D to manufacturing – to ensure their sustainability over the long-term.

Making products affordable and available: During the year we also considered access and affordability, and the company's commitment to making our products available at prices that are responsible and sustainable for the business. We reviewed the global pricing strategies of our Pharmaceuticals business with a particular focus on the US environment, which is the company's current largest single market, and where the operating context continues to evolve.

Being a modern employer: The Committee also had oversight of the company's new commitments for being a modern employer which centre on three main elements: engaged people; inclusion and diversity; and health, wellbeing and development. The Committee discussed the results from the global employee survey and management's plans for responding to lower scoring areas.

Responsible business: During the year the Committee reviewed the progress made on GSK's commitments to the fundamentals of being a responsible business. This included oversight of progress made to reduce the company's environmental impacts across carbon, water and waste, and the setting of new targets to 2030. Updates on business conduct and engagement with healthcare professionals were also discussed by the Committee.

The Committee also reviewed and approved the company's reporting on progress made on the company's responsible business commitments.

Stakeholder engagement and insights

The Committee pays close attention to the evolving views and expectations of the company's broad range of key stakeholders. A regular report on stakeholder insights is reviewed and discussed at each meeting to ensure the Committee considers the issues that may have a bearing on the company's reputation and the delivery of its responsible business agenda. The Committee also received an update on GSK's reputation research to understand relevant insights for its strategy. Employee insights were discussed in relation to the company's modern employer agenda and the results of the Global employee survey.

Independent external corporate responsibility advisor

Ms Sophia Tickell serves as an independent external advisor to the Committee. Ms Tickell has extensive experience in the pharmaceuticals industry in improving health systems' productivity, sustainability in energy supply and distribution, climate change policy and short-termism in financial markets.

She is co-founder and Director of Meteos, from where she directs the Pharma Futures Series, which aims to better align societal and shareholder value. She holds several other board and advisory roles.

Ms Tickell attended meetings of the Committee and provided independent advice and guidance on corporate responsibility matters to both the Committee Chair, the CEO and the President, Global Affairs.

Committee evaluation

The Committee's annual evaluation exercise was internally facilitated by the Company Secretary and concluded that the Committee continued to operate effectively. In terms of enhancements, the Committee would continue to review opportunities to develop its remit to further support the company's CR agenda and goals. As part of this process, it would consider best practice at similar committees and examine its current responsibilities in relation to the remit of GSK's other Board Committees.

Committee aims for 2019

Over the next year we will continue to understand GSK's material responsible business topics and seek to understand how management is responding to the expectations of external stakeholders. The Committee is well positioned in 2019 to support the delivery of the new commitments to support Trust, one of GSK's long-term business priorities.

Lynn Elsenhans
Corporate Responsibility Committee Chair
11 March 2019

Area of responsibility	Items addressed during 2018
External issues that have the potential for serious impact upon GSK's business and reputation	– Health and safety update – Regular reputational and emerging issues update – Oversight of corporate reputation research and KPI

This year we have continued to enjoy positive engagement with investors on our responsible business approach and performance. I meet directly with shareholders from time to time to understand any issues and concerns they may have and other Committee members also meet informally with shareholders before the AGM. The Committee was very pleased to see the company maintain first position in the Access to Medicines Index, and second position in the Dow Jones Sustainability Index for our industry, two investor supported external benchmarks.

Oversight of stakeholder views and engagement	– Stakeholder insights update – Employee survey
Annual governance oversight of progress against GSK's responsible business commitments to support Trust	– Responsible Business Supplement approval – Oversight of new commitments – Global health strategy – Sustainable access and affordability – Business conduct – Modern employer – Environmental targets

Directors

Our Directors' powers are determined by UK legislation and our Articles of Association, which contain rules about the appointment and replacement of Directors. They provide that Directors may be appointed by an ordinary resolution of the members or by a resolution of the Board, provided that, if appointed by the Board, the Director retires at the AGM following the appointment.

Our Articles also provide that all Directors are required to seek re-election annually at the AGM in accordance with the UK Corporate Governance Code.

A Director will cease to be a Director if he or she:
- becomes bankrupt
- ceases to be a Director by virtue of the Companies Act or the Articles
- suffers mental or physical ill health and the Board resolves that he or she shall cease to be a Director
- has missed Directors' meetings for a continuous period of six months without permission and the Board resolves that he or she shall cease to be a Director
- is prohibited from being a Director by law
- resigns, or offers to resign and the Board accepts that offer
- is required to resign by the Board.

Directors' conflicts of interest

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict with the company. Our Articles provide a general power for the Board to authorise such conflicts.

The Nominations Committee has been authorised by the Board to grant and regularly review any potential or actual conflict authorisations, which are recorded by the Company Secretary and noted by the Board. Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts.

On a continuing basis, the Directors are responsible for informing the Company Secretary of any such new actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign.

The Nominations Committee reviewed the register of potential conflict authorisations in January 2019 and reported to the Board that the conflicts had been appropriately authorised and that the process for authorisation continues to operate effectively. Except as described in Note 35 to the financial statements, 'Related party transactions', during or at the end of the financial year no Director or Person

Change of control and essential contracts

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively, nor is the company party to any material agreements that would take effect, be altered, or terminate upon a change of control following a takeover bid. We do not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover. Details of the termination provisions in the Executive Directors' service contracts are given in the full version of the company's 2017 Remuneration policy which is available at www.gsk.com in the Investors section.

Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of GlaxoSmithKline plc for the year ended 31 December 2018 comprises pages 65 to 94 of the Corporate Governance Report, the Directors' statements of responsibilities on pages 126 and 127 and pages 241 to 270 of Investor Information. The Strategic report sets out those matters required to be disclosed in the Directors' Report which are considered to be of strategic importance:

- risk management objectives and policies (pages 34 to 36 and 241 to 250)
- likely future developments of the company (Strategic report)
- research and development activities (pages 13 to 23)
- inclusion and diversity (page 28)
- provision of information to, and consultation with, employees (page 28)
- carbon emissions (page 32)

The following information is also incorporated into the Directors' Report:

	Location in Annual Report
Interest capitalised	Financial statements, Notes 17 and 19
Publication of unaudited financial information	Group financial review, page 37
Details of any long-term incentive schemes	Remuneration report
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent company participation in a placing by a listed subsidiary	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Financial statements, Notes 15 and 43
Shareholder waiver of future dividends	Financial statements, Notes 15 and 43

Closely Associated had any material interest in any contract of significance with a Group company.

Our Articles also prohibit a Director from voting on any resolution concerning his or her appointment or the terms or termination of his or her appointment.

Independent advice

The company has an agreed procedure for Directors to take independent legal and/or financial advice at the company's expense where they deem it necessary.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2018 and up to the signing of the Annual Report.

Agreements with controlling shareholders	Not applicable

The Directors' Report has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

The Directors' Report was approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Philip Hampton
Chairman
11 March 2019

Remuneration

In this section

Remuneration report
Chairman's annual statement

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present to you our Remuneration report for 2018. The Annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM on 8 May 2019.

2018 performance

Overall, 2018 was a year of very good progress for GSK. We saw Group sales growth of 5% CER driven by growth across all three businesses, strong commercial execution of new product launches, especially *Shingrix*, continued cost discipline and better cash generation. We also achieved earnings growth with adjusted EPS up 12%. It was a significant year for the Group strategically, with the launch of a new R&D strategy focused on immunology, genetics and new technologies, together with a series of transactions that support GSK's strategy and reshape of the Group's portfolio.

2018 remuneration outcomes

All awards in relation to 2018 were made in accordance with our approved Remuneration policy. The key decisions made by the Committee were as follows:

– The bonus outcomes for the Executive Directors were determined by reference to performance against the agreed financial measure, as well as the Committee's assessment of their individual levels of performance. In conjunction with assessment of individual performance, this has resulted in bonus payments being made above target. The Committee adjusted the Adjusted Group PBIT target upwards to reflect the outperformance on this measure attributable to the timing impact of the loss of *Advair* exclusivity. The Committee believe the bonus outcomes appropriately reflect the overall underlying performance in 2018. Further details of the bonus outcomes for the year are provided on page 101.

– Vesting of the 2016 Performance Share Plan (PSP) awards and the matching awards under the Deferred Annual Bonus Plan (DABP) were based on the pre-agreed measures of R&D new product performance, adjusted free cash flow and relative TSR, each with an equal weighting. Performance was measured over the three years to 31 December 2018. The threshold target for the TSR measure was not met, but the maximum R&D target was achieved. In reviewing the adjusted free cash flow performance the target was adjusted upwards to reflect the outperformance attributable to the timing impact of the loss of *Advair* exclusivity. This resulted in an overall vesting level of 59%. Further details of the vesting outcome for the 2016 PSP and DABP matching awards are provided on page 103.

Remuneration policy implementation for 2019

CEO remuneration

At the time of Ms Walmsley's appointment to the role of CEO, the Committee set her remuneration at a level to reflect the fact that this was her first CEO role, significantly below the previous incumbent and the market. At that time, in the 2016 Annual report on remuneration and again in our 2017 report, we highlighted that it was our intention to keep Ms Walmsley's package under review in the coming years, subject to her development and performance in role.

Ms Walmsley has now been in position for nearly two years and in the Board's view has already delivered a number of significant achievements, including developing and deploying Innovation, Performance and Trust strategic priorities, driving culture change across the company and strong financial delivery in 2017 and 2018.

Looking ahead, Ms Walmsley has also set a clear capital allocation framework for the Group and as part of this delivered the Consumer Healthcare business buy-out from Novartis in 2018 and announced the proposal creation of a Consumer Healthcare Joint Venture with Pfizer towards the end of the year. While this remains subject to shareholder approval, it has created a clear pathway for the Group to deliver substantial further value for shareholders in the longer term.

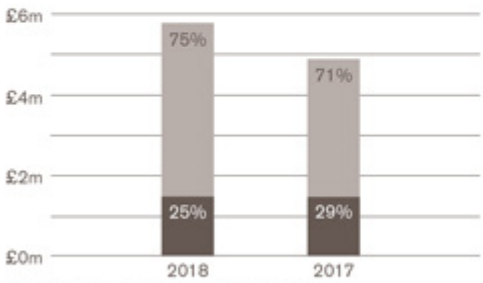
Given the above, the view of the Board is that Ms Walmsley has established herself successfully and is already demonstrating a track record of delivering strongly against her priorities for the business. We believe it is now the right time to start reflecting this development and performance in her remuneration. This is consistent with how we review the remuneration of all our employees as they develop and progress in their roles.

2018 at a glance

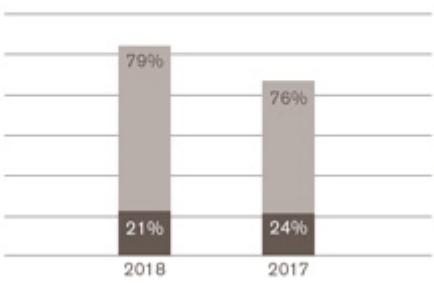
2018 Total Remuneration

The following shows a breakdown of total remuneration paid to Executive Directors in office at 31 December 2018, in respect of 2018 and 2017.

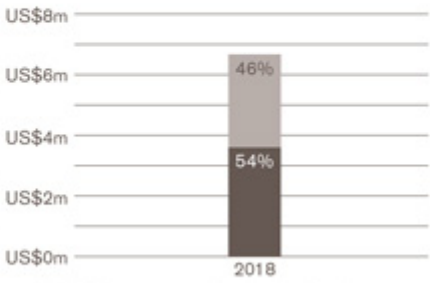
Emma Walmsley
CEO



Simon Dingemans
CFO



Dr Hal Barron[1]
Chief Scientific Officer and President, R&D



● Fixed pay – salary, benefits and pension
● Performance pay – 2018 annual bonus and LTIs earned in respect of the three year performance period to the end of 2018

(1) Dr Hal Barron was appointed to the Board on 1 January 2018.

Following consultation with some of our major shareholders, the Committee has considered how to address this and has taken the feedback from shareholders into account in deciding to implement a two-step salary increase for Ms Walmsley's as follows:

– An 8% increase from 1 January 2019 that results in a base salary of £1,110,348 (currently £1,028,100); and

– An 8% increase from 1 January 2020, subject to continued development and sustained performance in role. This would result in a base salary from 2020 of £1,199,176.

This phased approach will enable the Committee to monitor sustained performance as well as any market developments.

Incentive measures

Following careful consideration, the Committee has determined that no changes to our LTI measures will be made in 2019. As such, PSP awards granted in 2019 will be subject to the same performance conditions as in previous grants: R&D new product performance, adjusted free cash flow and relative TSR. Further details on our implementation for 2019 are set out on page 108.

However, we are taking this opportunity to respond to feedback from some of our shareholders to reduce the threshold level of vesting under the TSR element of our PSP from 30% to 25% of the maximum. Accordingly, all our performance measures for future awards will now vest at 25% of the maximum opportunity for threshold performance.

New appointments to the Board

In May 2018, Simon Dingemans announced that he would retire from the company. He is a voluntary leaver and therefore will not receive any severance payment when he leaves the company after the AGM on 8 May 2019.

Simon will continue to receive his base salary until he leaves GSK. He was also eligible to receive a bonus for 2018 based on a combination of business and individual performance. He will not receive any bonus for the portion of 2019 for which he will be employed and any PSP and DABP matching awards which have not already vested prior to his departure will lapse when he leaves. He was not eligible to receive an LTI award in 2019.

In August 2018, we announced the appointment of Iain Mackay to the role of Chief Financial Officer from 1 April 2019. He joined the CET and Board on 14 January 2019. Iain's remuneration package is fully in line with the Remuneration policy approved by shareholders in 2017. His base salary will be £850,000, which the Committee felt was appropriate to reflect his experience and qualifications and his total compensation was also validated as being within the competitive range seen among our UK cross-industry comparator group.

Looking ahead

The Committee has reviewed its current practices against the revised UK Corporate Governance Code (the 2018 Code) published by the Financial Reporting Council (FRC) and we will report in 2020 on how we complied with the 2018 Code during 2019.

In line with the commitment we made in our 2017 report we have disclosed our CEO pay ratio this year, ahead of the reporting requirement, in line with the methodology prescribed in the secondary legislation published by the UK Government in 2018.

Given that our Remuneration policy will expire at our 2020 AGM, this year the Committee will be undertaking a review of GSK's remuneration arrangements, taking into consideration the governance developments during the period since our current policy was approved.

We plan to continue our regular dialogue with shareholders and will hold our annual meeting with GSK's largest investors later in the year to listen to their views and feedback.

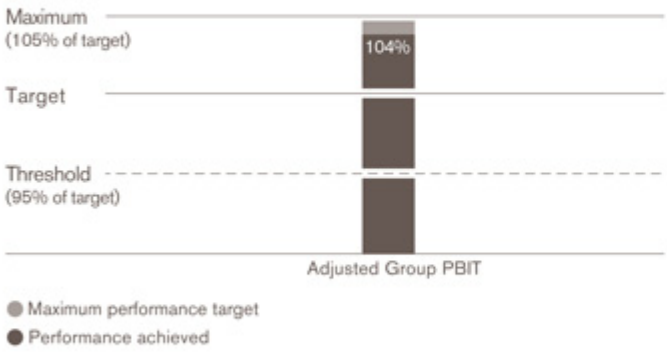
AGM

Finally, I would like to thank shareholders for their ongoing input and engagement and I welcome all shareholders' feedback on this report. We look forward to receiving your support for our Annual report on remuneration at our AGM on 8 May 2019.

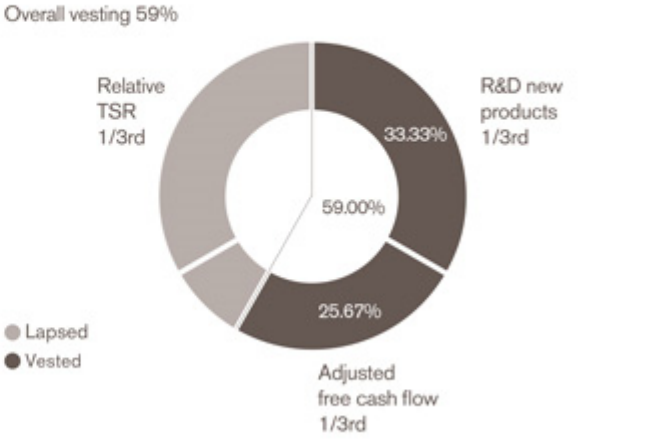
Urs Rohner
Remuneration Committee Chairman
11 March 2019

Pay for performance

2018 Annual bonus: financial performance

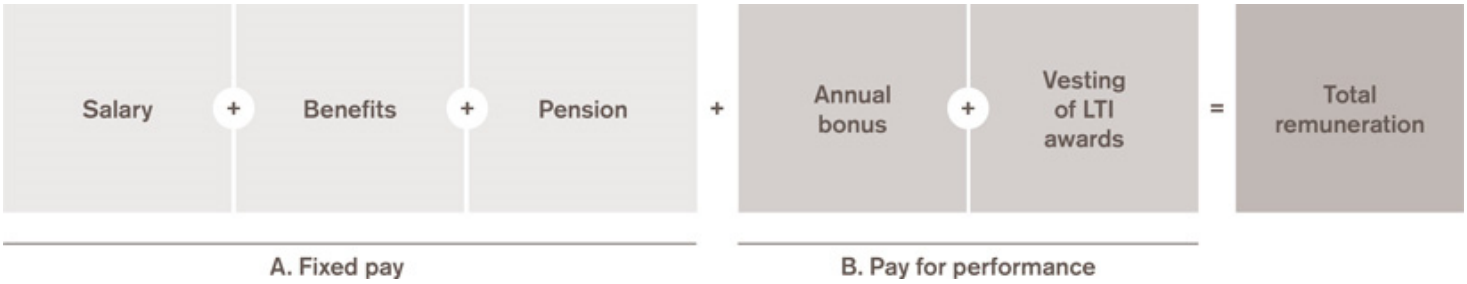


2016 LTI outcome: performance period ended 31 December 2018



Annual report on remuneration

2018 Total remuneration (audited)



The total remuneration for 2018 for each Executive Director is set out in the table below:

	Emma Walmsley, CEO		Simon Dingemans,(1) CFO		Dr Hal Barron,(2) Chief Scientific Officer and President, R&D		Sir Patrick Vallance,(3) (Former President, R&D)	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 $000	2017 $000	Jan-Mar 2018 £000	2017 £000
A. Fixed pay								
Salary ⊕ See page 99	1,028	965	773	754	1,700	–	203	780
Benefits ⊕ See page 99	234	266	141	142	807	–	42	102
Pension ⊕ See page 100	207	195	155	151	1,043	–	39	156
Total fixed pay	**1,469**	**1,426**	**1,069**	**1,047**	**3,550**	**–**	**284**	**1,038**
B. Pay for performance								
2018 Annual bonus(4) ⊕ See pages 101 and 102	1,912	1,540	1,368	1,090	3,009	–	–	1,127
Vesting of LTI awards:								
DABP matching awards(5) ⊕ See page 103	301	112	398	156	–	–	–	182
PSP(5) ⊕ See page 103	2,205	1,805	2,367	2,012	–	–	–	2,041
Total pay for performance	**4,418**	**3,457**	**4,133**	**3,258**	**3,009**	**–**	**–**	**3,350**
A+B = Total remuneration	**5,887**	**4,883**	**5,202**	**4,305**	**6,559**	**–**	**284**	**4,388**

Notes:

(1) Simon Dingemans' vested PSP shares will be subject to a two-year holding period. Ms Walmsley's PSP shares are not subject to the same holding requirement as her grant was awarded before she was appointed an Executive Director.

(2) Dr Hal Barron was appointed to the Board with effect from 1 January 2018.

(3) Sir Patrick Vallance resigned from the company and the Board on 31 March 2018. Salary reflects the basic salary earned for the time worked from 1 January to 31 March 2018 plus payment in lieu of accrued holiday not taken, in accordance with GSK's standard UK holiday pay policy.

(4) Details of the mandatory bonus deferrals under the Deferred Annual Bonus Plan (DABP) are set out on page 114. Matching awards are no longer granted under the DABP.

(5) Further details in respect of the vesting of DABP matching awards and Performance Share Plan (PSP) awards for the three-year period to 31 December 2018 are provided on page 103.

(6) The Committee may in specific circumstances, and in line with stated principles, apply clawback/malus, as it determines appropriate. Following due consideration by the Committee, there has been no recovery of sums paid (clawback) or reduction of outstanding awards or vesting levels (malus) applied during 2018 in respect of any of the Executive Directors.

Past Directors: Payments to past directors are set out on page 109. The PSP and DABP awards for Sir Andrew Witty and Dr Moncef Slaoui granted in 2015 and 2016 have now vested. The 2015 awards vested following the one-year anniversaries of their respective leaving dates in accordance with the terms of the Executive Recoupment Policy. The 2016 awards vested in accordance with the standard vesting policy. The 2015 and 2016 PSP awards are subject to an additional two-year holding period until February 2020 and February 2021 respectively. As disclosed on page 136 of the 2016 Annual Report they both left GSK by mutual agreement, neither received any termination payments and any outstanding incentive awards were treated in accordance with the 2014 Remuneration policy, approved by shareholders, under which they were granted.

2018 Total remuneration (audited) continued

The following sections provide details of each element of 'Total remuneration', including how the Committee implemented the approved Remuneration policy in 2018.

Comparator groups for pay and TSR

The Committee used two pay comparator groups for all roles when considering executive pay for 2018. The primary group used for each Executive Director was as follows:

	UK cross-industry comparator group			Global pharmaceutical comparator group	
Emma Walmsley **Simon Dingemans**	AstraZeneca BHP Group BP British American Tobacco Diageo	Reckitt Benckiser Rio Tinto Royal Dutch Shell Unilever Vodafone	**Dr Hal Barron**	**France** Sanofi **Switzerland** Novartis Roche Holdings **UK** AstraZeneca	**US** AbbVie(1) Amgen(1) Bristol-Myers Squibb Eli Lilly Johnson & Johnson Merck & Co Pfizer

(1) AbbVie and Amgen are included for remuneration benchmarking, but are not included in the TSR comparator group.

When reviewing the CEO's remuneration, the Committee also references pay for a group of leading European companies whose selection is based on their size and complexity.

Fixed pay (audited)

Salary

The table below sets out the base salaries of the Executive Directors over the last two years. As disclosed last year, the salary increases made in 2018 were aligned with those provided to the wider workforce. Details of salary levels for 2019 are provided on page 108.

	% change	Base salary 2018	Base salary 2017
Emma Walmsley	2.5%	**£1,028,100**	£1,003,000(1)
Simon Dingemans	2.5%	**£772,800**	£754,000
Dr Hal Barron	n/a	**$1,700,000**	–
Sir Patrick Vallance	0%	**£780,000**	£780,000

(1) Ms Walmsley's salary as CEO Designate between 1 January and 31 March 2017 was £850,000. Her salary then increased from 1 April 2017 to £1,003,000 when she became CEO.

Benefits

The table opposite shows a breakdown of the grossed up cash value of the benefits received by the Executive Directors in 2018 and 2017 which included:

– **Employee benefits:** all employee share plans, healthcare, home security, car allowance, personal financial advice and life assurance/death in service cover.

	2018 benefits £000	2017 benefits £000
Emma Walmsley		
Employee benefits	**74**	60
Travel	**144**	146
Other benefits	**16**	60
Total	**234**	**266**
Simon Dingemans		
Employee benefits	**55**	53
Travel	**74**	64
Other benefits	**12**	25
Total	**141**	**142**
Sir Patrick Vallance		
Employee benefits	**20**	48
Travel	**10**	46
Other benefits	**12**	8
Total	**42**	**102**
Dr Hal Barron(1)	**$000**	**$000**
Employee benefits	**42**	–
Travel	**464**	–
Other benefits	**301**	–
Total	**807**	**–**

– **Travel expenses:** include travel costs for the Executive Director and as appropriate for their spouse/partner associated with accompanying the Executive Director on GSK business, which are deemed to be taxable benefits on the Director.

– **Other benefits:** expenses incurred in the ordinary course of business, which are deemed to be taxable benefits for the individual.

(1) Dr Hal Barron is based in San Francisco and travels for business purposes which is treated from a tax perspective as a benefit. It is therefore included in the table above. The grossed up cash value of Dr Barron's travel in 2018 was $464,314. Other benefits includes the grossed up value of UK accommodation of $294,547.

Annual report on remuneration continued

Fixed pay (audited) continued

Pensions

Executive Director	Member since	Pension arrangements in 2018
Emma Walmsley	2010	20% of base salary and matching contributions on the first £33,333 of salary;(1) 20% of base salary in lieu of pension on salary in excess of £33,333(2).
Simon Dingemans	–	20% of base salary in lieu of pension(3)
Dr Hal Barron	2018	Member of the US Cash Balance and the Supplemental Cash Balance pension plans, under which GSK makes annual contributions of 38% of base salary, in line with other US senior executives and members of GSK's Corporate Executive Team. Dr Barron is also a member of the 401(k) plan open to all US employees and the Executive Supplemental Savings Plan (ESSP), a savings scheme open to US executives to accrue benefits above the 401(k) plan limits. Having completed one year's service, from 1 January 2019, Dr Barron receives a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contributions plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.
Sir Patrick Vallance	–	20% of base salary in lieu of pension(3)

(1) As a member of the defined contribution plan, Emma Walmsley is eligible to receive a matching award of up to 5% on the first £33,333 of her salary in accordance with the terms of the plan.

(2) Emma Walmsley receives a cash payment in lieu of pension of 20% of base salary in excess of £33,333 in line with GSK's defined contribution pension plan rates.

(3) Simon Dingemans and Sir Patrick Vallance received cash payments in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates.

The following table shows the breakdown of the pension values set out on page 98.

	Emma Walmsley		Simon Dingemans		Dr Hal Barron		Sir Patrick Vallance	
Pension remuneration values(1)	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**	**2018 $000**	**2017 $000**	**Jan-Mar 2018 £000**	**2017 £000**
UK defined contribution	**8**	9	**–**	–	**–**	–	**–**	–
US defined benefit	**–**	–	**–**	–	**1,043**	–	**–**	–
Employer cash contributions	**199**	186	**155**	151	**–**	–	**39**	156
Total pension remuneration value	**207**	195	**155**	151	**1,043**	–	**39**	156

(1) The pension remuneration figures have been calculated in accordance with the methodology set out in The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Remuneration Regulations).

Further details regarding the 2018 pension values for Dr Hal Barron, are set out in the table below.

	Accrued pension		
Dr Hal Barron pension values(1)	**31 December 2018 $000**	**31 December 2017 $000**	**Pension remuneration value for 2018 $000**
US – Unfunded	52	–	**1,043**
Total	52	–	**1,043**

(1) Dr Hal Barron joined GSK on 1 January 2018. The pensions figures are disclosed for Dr Barron, who is a member of the US style defined benefit plans. In accordance with paragraph 10.e.ii of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, the table shows the accrued benefit (ie the annual pension accrued to date). The pension remuneration in 2018 is calculated as the increase in the accrued benefit, adjusted for inflation and multiplied by 20 to reflect the fact that the benefit will be received for a number of years.

Pay for performance (audited)

Annual bonus

2018 performance against targets

For 2018, the financial measures and weightings were as follows:

	Weighting	2018 Adjusted Group PBIT performance		
Performance measure	**Executive Directors**	**2018 target(1)**	**Outcome**	**Positioning against target**
Adjusted Group PBIT	70%	**£8,423m**	**£8,754m**	**104%**
Individual objectives	30%			

(1) Threshold and maximum performance targets were set at 95% and 105% of Target respectively. The target for 2018 was increased by £215 million to reduce the level of over performance attributable to the original timing assumption for the loss of Advair exclusivity.

(2) The Adjusted Group PBIT target and outcome for the purposes of the Annual bonus calculation differ from Adjusted Group PBIT disclosed elsewhere in this Annual Report, primarily because both the target and outcome numbers are calculated applying GSK budget exchange rates and not actual exchange rates.

The following table shows actual bonuses earned compared to bonus opportunity for 2018:

	2018 bonus opportunity					2018 bonus outcome	
Bonus	**Target (% of salary)**	**Maximum (% of salary)**	**2018 Base salary**	**Financial performance (% of salary)**	**Individual objectives (% of salary)**	**Total 2018 bonus (% of salary)**	**Total 2018 bonus 000**
Emma Walmsley	100	200	£1,028,100	**126**	**60**	**186**	**£1,912**
Simon Dingemans			£772,800	**126**	**51**	**177**	**£1,368**
Dr Hal Barron			$1,700,000	**126**	**51**	**177**	**$3,009**

The table below provides more detail on delivery against Adjusted Group PBIT:

Financial performance
– Group turnover was £30.8 billion, a 2% increase AER and 5% CER.
– Adjusted operating profit was £8,745 million, 2% higher on an AER basis and 6% higher CER.
– The Adjusted operating margin of 28.4% was flat on an AER basis compared with 2017 and 0.5 % higher CER. This reflected the benefit from sales growth across all three businesses on a CER basis and a more favourable mix, primarily in Vaccines and Consumer Healthcare. The margin also benefited from the prioritisation of R&D expenditure and the comparison with the impact of the Priority Review Voucher utilised and expensed in 2017, as well as continued tight control of ongoing costs across all three business. This was partly offset by continued pricing pressure, particularly in respiratory, increased input costs, the comparison with the benefit in 2017 of a settlement for lost third party supply volume in Vaccines, investments in promotional product support, particularly for new product launches, and a reduction in royalty income.

Annual report on remuneration continued

Pay for performance (audited) continued

The following table summarises performance against the scorecard of individual objectives agreed by the Committee for each Executive Director:

Individual objectives

Emma Walmsley

- Continued focus and progress against long-term Innovation, Performance and Trust priorities.
- Strong financial and operational performance for the Group in 2018. Turnover £30.8 billion, Total operating profit £5.5 billion, Free cash flow £5.7 billion.
- Strong launch execution evidenced by *Shingrix* sales £784 million, new Respiratory products £2,612 million and *Juluca* £133 million.
- New approach to R&D launched and start of strengthening of pipeline, particularly in oncology. New R&D senior leadership team established with outstanding new hires. Significant pipeline prioritisation and new R&D portfolio governance process across R&D and commercial.
- Significant progress made in R&D business development through agreement to acquire Tesaro and multi-year collaboration with 23andMe.
- Successful implementation of portfolio/brand and geographic prioritisation in Pharmaceuticals and Consumer Healthcare businesses.
- Significant transactions undertaken to support strategy and re-shape the business:
  - Successful agreement with Novartis to acquire full ownership of Consumer Healthcare business
  - Divestment of *Horlicks* and other Consumer Healthcare nutrition brands to Unilever
  - Proposed Consumer Healthcare Joint Venture agreed with Pfizer.
- New commercial operating model in Pharmaceuticals implemented to support the evolving portfolio.
- New 5-year Pharmaceuticals supply chain strategy implemented resulting in savings in improved productivity whilst maintaining compliance.
- Successful employee engagement through increased visibility of CET members through key internal communication platforms.
- Continued successful development of CET:
  - Three internal CET promotions
  - New external Chief Financial Officer appointment
- Key leadership appointments in place with 69% of top 125 leaders new in role.
- Successfully achieved diversity target of 33% women at the Senior Vice President and the Vice President level.

Dr Hal Barron

- New approach to R&D launched and start of strengthening of pipeline, particularly in oncology. New R&D senior leadership team established with outstanding new hires. Significant pipeline prioritisation and new R&D portfolio governance process across R&D and commercial.
- Significant progress made in business development through agreement to acquire Tesaro and multi-year collaboration with 23andMe.
- Good progress made in re-shaping and building capabilities in Medicinal science and Technology organisations within R&D.
- Continued strong momentum in delivery of new approach to R&D including:
  - Ongoing re-build of Pharmaceuticals pipeline with majority of new medicines now in development targeting modulation of the immune system
  - Major progress made in oncology pipeline reflecting organic progress and agreement to acquire Tesaro

Simon Dingemans

- Delivered strong financial leadership for the Group in 2018.
- Improved cash flow generation (Free cash flow £5.7 billion), Total operating profit (£5.5 billion) and Group turnover (£30.8 billion).
- Significant contribution in the successful execution of our M&A strategy:
  - Successful agreement with Novartis to acquire full ownership of Consumer Healthcare business
  - Divestment of *Horlicks* and other Consumer Healthcare nutrition brands to Unilever
  - Proposed Consumer Healthcare Joint Venture agreed with Pfizer

Malus and clawback policy

For details of our policy on malus/clawback, please refer to the 2017 Executive Director Remuneration policy summary on page 121.

From 1 January 2015 in respect of each financial year, the Committee decided to disclose whether it (or the Recoupment Committee) has exercised malus or clawback.

Disclosure is only made when the matter has been the subject of public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders.

In line with these disclosure guidelines, neither the Committee (nor the Recoupment Committee) exercised malus or clawback during 2018.

Other policies

For details of our policies on recruitment remuneration, loss of office and termination payments, please refer to the 2017 Remuneration policy report on pages 137 to 146 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

Pay for performance (audited) continued

Value earned from long-term incentives (LTIs)

The following tables set out the performance achieved by management against the targets set for the company's LTI plans and also includes an update on performance of outstanding awards.

In line with the Committee's agreed principles, for each measure applicable to the LTI awards, actual performance against the targets is reviewed and adjustments made as appropriate to ensure that the vesting outcome reflects genuine underlying business performance. Further details on any adjustments made will be provided at the time of vesting.

2016 awards with a performance period ended 31 December 2018

The Committee reviewed the performance of the PSP awards and the DABP matching awards granted to Executive Directors against the targets set. The Committee decided to increase the Adjusted Free Cash Flow ('AFCF') target and associated vesting scale for the 2016 PSP and DABP matching awards to reduce the level of outperformance attributable to the original timing assumption for the loss of *Advair* exclusivity. There are no changes to the targets set for the R&D New Product performance measure or the Relative TSR performance measure for the 2016 PSP awards and DABP matching awards.

The performance achieved in the three years to 31 December 2018 and the vesting levels are set out in the table below.

Performance measures and relative weighting	Performance targets			Outcome and vesting level: Outcome	% of maximum	% of award
R&D new product performance (1/3rd)	R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and the preceding two years, i.e. 2014-18.			£10.44bn	100	33.33
		Target	**% vesting**			
	Maximum	£8.53bn	100%			
		£7.76bn	75%			
		£7.37bn	50%			
	Threshold	£6.98bn	25%			
Adjusted free cash flow performance (1/3rd)	In line with the company's agreed principles, the AFCF figures included adjustments for a number of material distorting items, including legal settlements, exchange rate movements and special pension contributions.			£13.18bn	77	25.67
		Original Target	**Revised Target**	**% vesting**		
	Maximum	£13.46bn	£13.72bn	100%		
		£12.87bn	£13.12bn	75%		
		£11.70bn	£11.93bn	50%		
	Threshold	£11.35bn	£11.57bn	25%		
Relative TSR performance (1/3rd)		**TSR ranking within comparator group**[1]		**% vesting**	Ranked 6th	0	0
	Maximum	1st, 2nd, 3rd		100%		
		4th		72%		
		5th		44%		
	Threshold[2]	Median		30%		
		6th to 10th		0%		

(1) TSR comparator group: AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GSK, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.

(2) The vesting schedule is based on delivering 30% vesting for median performance. In a comparator group of ten companies, median falls between two companies.

Total vesting in respect of 2016 awards	59%

Annual report on remuneration continued

Pay for performance (audited) continued

Update on performance of ongoing LTI awards

The Committee also reviewed the performance of the PSP awards granted to Executive Directors in 2017 and 2018, and of the DABP matching awards granted to Executive Directors in 2017. The following charts provide an estimate of the vesting levels taking into account performance to 31 December 2018. Actual vesting levels will only be determined based on performance over the full three-year performance periods. The indications below should therefore not be regarded as predictions of the final vesting levels.

In addition to the adjustments made to the target and associated vesting scale for the 2016 PSP awards and the DABP matching awards, adjustments have been made to the AFCF targets and associated vesting scales for the 2017 and 2018 awards, as follows:

– The target for the 2017 PSP awards and the DABP matching awards have been decreased in aggregate by £557m to £11.26bn. This is to reflect:

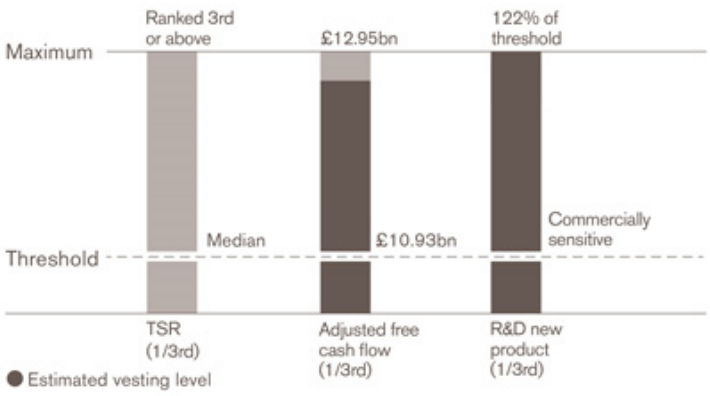
  (i) a reduction to the target due to the forecast impact of the Tesaro acquisition and the major restructuring programme announced with the Q2 2018 results; and

  (ii) an increase to the target to reduce the level of *Advair* outperformance attributable to the delayed loss of exclusivity. The overall net impact is a reduction to the target.

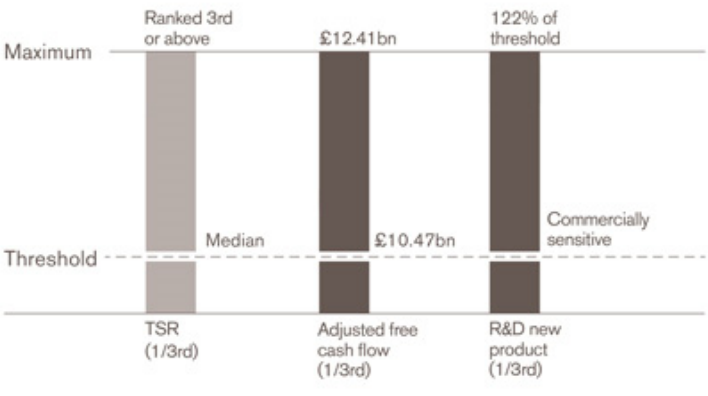
– The target for the 2018 PSP award has been similarly adjusted for the same factors applicable to the 2017 PSP. The net overall impact is a decrease to the target of £1.29bn to £10.79bn. The reduction is primarily driven by the impact of the restructuring programme and the Tesaro acquisition. The adjustment for the delayed loss of exclusivity results in an increase to target.

There are no changes to the targets set for the R&D New Product performance measure or the TSR performance measure for the 2017 and 2018 awards.

2017 award – Performance update



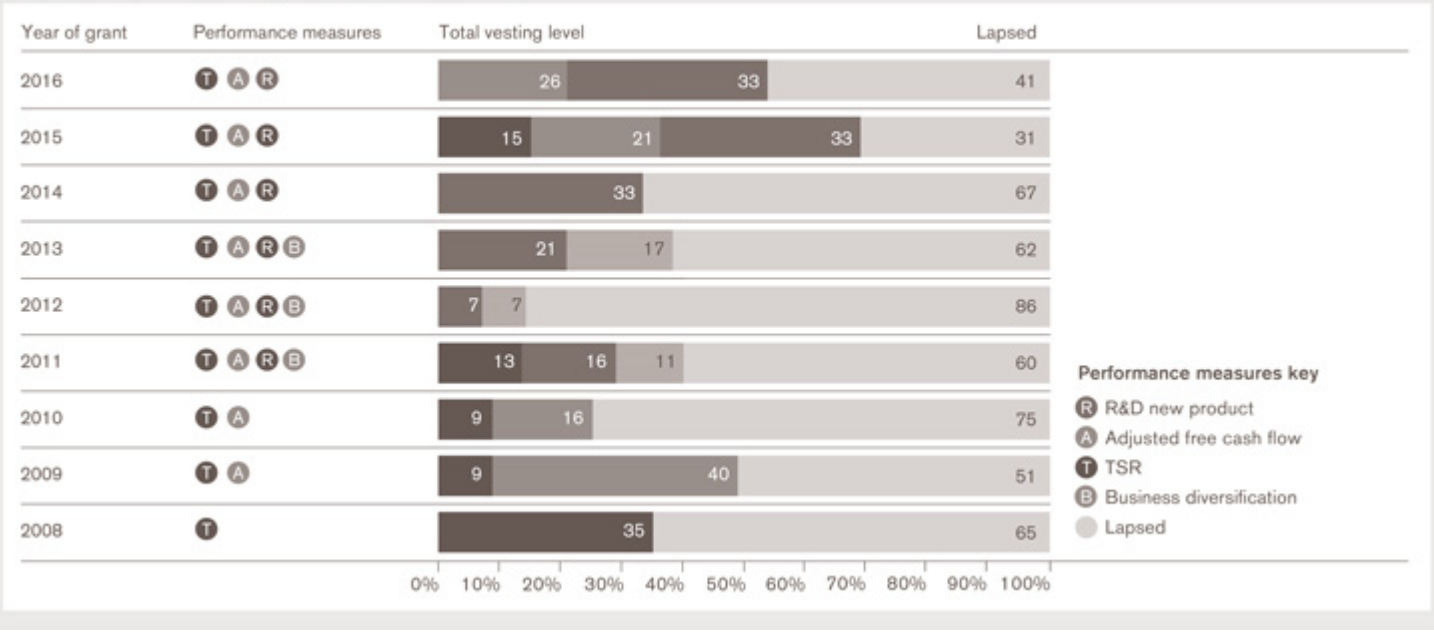
2018 award – Performance update



For threshold performance, 25% of each award will vest in respect of R&D new product and AFCF measures and 30% for the TSR element. The TSR comparator group remains unchanged from that shown on page 103 in respect of the 2016 awards.

Pay for performance (audited) continued

Historical vesting for GSK's LTIs



2018 LTI awards

The levels of participation in the DABP in respect of 2017 bonus deferrals are shown in the table below. The table also shows the PSP award details for 2018.

	DABP awards					PSP awards
	2017 % of total bonus deferred	2018 Number of shares	2018 Face value of award(1)	2018 Award level as % of base salary	2018 Number of shares	2018 Face value of award(2)
Emma Walmsley	50%	**58,889 shares**	£0.770m	550%	**437,997 shares**	£5.7m
Simon Dingemans	50%	**41,674 shares**	£0.545m	400%	**239,442 shares**	£3.1m
Dr Hal Barron(4)	n/a	–	–	500%	**233,132 ADS**	$8.5m
Sir Patrick Vallance (5)	50%	**43,111 shares**	£0.563m	–	–	–

(1) The face values of the DABP awards have been calculated based on a share price of £13.07, being the closing price on 28 February 2018. These are nil-cost options. No performance conditions are attached to the DABP awards, as they reflect the mandatory deferrals in respect of the 2017 annual bonus earned.
(2) The face values of the PSP awards have been calculated based on a share price of £12.91, and an ADS price of $36.46, being the closing prices on 13 February 2018. These are conditional shares, based on three equally weighted measures; (i) R&D New Product Performance; (ii) Adjusted free cash flow; and (iii) Relative TSR. The first two performance measures vest at 25% at threshold, and the third performance measure at 30% at threshold.
(3) The performance period for the PSP 2018 awards is from 1 January 2018 to 31 December 2020.
(4) Dr Hal Barron was appointed to the Board on 1 January 2018.
(5) Sir Patrick Vallance's DABP award will vest as normal three years after the date it was granted.

All-employee share plans

UK Executive Directors may participate in HMRC approved all-employee share plans, i.e. Share Save and Share Reward plans.

Participants of the Share Save Plan may save up to £250 a month for three years and at the end of the period have the option to buy GSK

Dilution limits

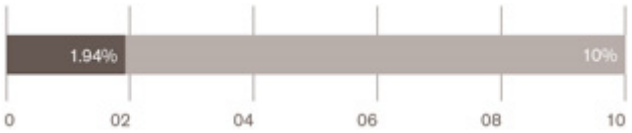
All awards are made under plans which incorporate dilution limits consistent with the guidelines published by the Investment Association. These limits are 10% in any rolling ten-year period for all plans and 5% in any rolling ten-year period for executive share plans. Estimated

shares at a 20% discount to the share price at the start of the savings contract. Participants of the Share Reward Plan contribute up to £125 a month to purchase GSK shares which the company then matches.

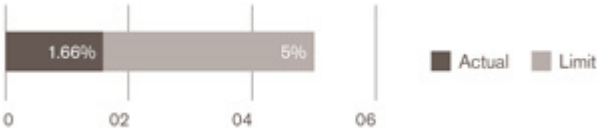
	Monthly saving	
	Share Save (£)	Share Reward (£)
Emma Walmsley	250	125
Simon Dingemans	150	125

dilution from existing awards made over the last ten years up to 31 December 2018 is as follows:

All GSK employee share plans



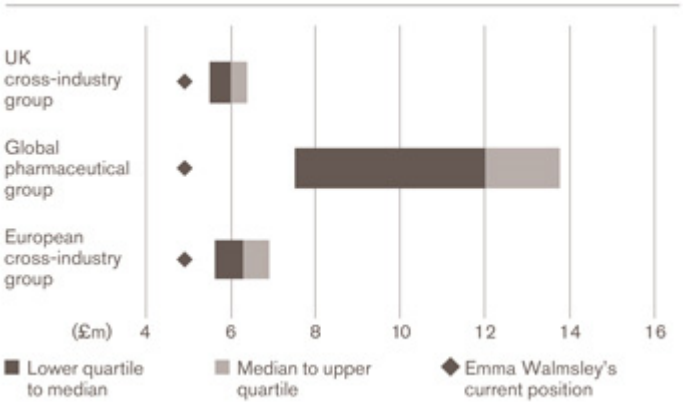
Executive share plans



Annual report on remuneration continued

CEO pay comparison

2018 CEO total remuneration positioning



Remuneration includes salary and the expected value of incentives based on the Committee's agreed benchmarking methodology.

CEO pay ratios

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2018	Option A	122:1	90:1	56:1

The pay ratios above are calculated by using actual earnings for the CEO and UK employees. The CEO total single figure remuneration of £5,886,672 is given on page 98 of this Report.

Total remuneration for all UK full-time equivalent employees of the company on 31 December 2018 have been calculated in line with the single figure methodology and reflects their actual earnings received in 2018 (excluding business expense), which were used to produce the percentile calculation under Option A. Business expenses have been excluded as they are reimbursed to the employees and not substantial in value to significantly impact the ratios.

GSK has chosen Option A because it is the most robust and statistically accurate way for the company to calculate the three ratios from the options available in the Regulations.

Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

£	25th Percentile (P25)	Median (P50)	75th Percentile (P75)
Salary	33,090	44,944	64,185
Total pay and benefits	48,370	65,149	105,045

The Committee believes that the median pay ratio is consistent with the company's pay, reward and progression policies. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role.

In light of this we have also provided supplemental ratios, where Long Term Incentive compensation has been excluded. We believe this provides an additional view as long term incentive forms a substantial 42.6% of the CEO's total remuneration in 2018, which is highly variable and dependent on business performance. The CEO single figure of remuneration excluding Long Term Incentive Compensation is £3,381,135.

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2018	Option A*	70:1	52:1	34:1

*Total single figure remuneration less Long-Term Incentive Plans

Historic CEO remuneration

	Emma Walmsley		Sir Andrew Witty								
	2018 £000	2017 £000	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Single figure of remuneration	**5,887**	4,883(1)	715(3)	6,830	6,661	3,902	7,207	4,386	6,807	4,562	5,790
Annual bonus award(2) (% of maximum)	**93%**	77%	0%(3)	97%	100%	42%	88%	44%	100%	59%	100%
Vesting of LTI awards (% of maximum)	**59%**	69%	0%(4)	33%	38%	14%	31%	24%	70%	35%	35%

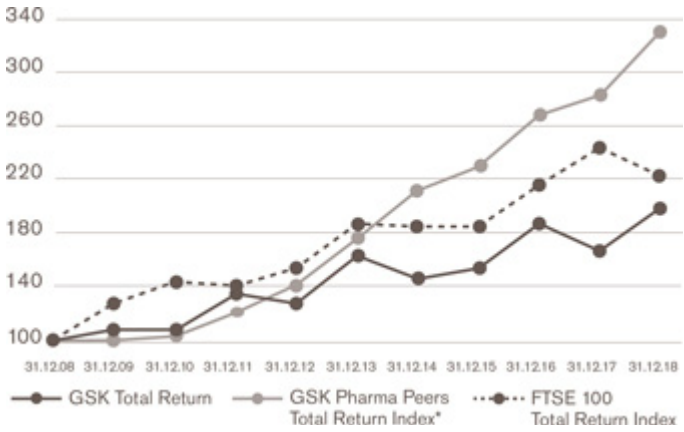
(1) Ms Walmsley's single figure of remuneration includes her pay for the period 1 January to 31 March 2017, before she became CEO.
(2) 2009 and 2010 bonuses include amounts paid under the Operational Efficiency Bonus in place for those years. The overall maximum bonus receivable was still subject to a limit of 200% of base salary.
(3) Sir Andrew received a pro-rata payment for 2017 in lieu of a variable bonus opportunity, in accordance with the 2014 Remuneration policy.
(4) PSP and DABP awards for Sir Andrew granted in 2015 did not vest until April 2018, in accordance with the terms of the Executive Financial Recoupment Policy.

Performance graph

The following graph sets out the performance of the company relative to the FTSE 100 index and to the pharmaceutical performance comparator group for the ten-year period to 31 December 2018. These indices were selected for comparison purposes as they reflect both the primary index of which GSK is a constituent and the industry in which it operates.

Supplemental/Additional Ratios

GSK's CEO pay ratio is likely to vary, potentially significantly, over time since it will be driven largely by CEO variable pay outcomes. In line with our reward principles, the CEO has a larger portion of her pay based on performance than the individuals at P25, P50 and P75. This means that depending on GSK's performance the ratio could increase or decrease significantly. The Committee believes that our senior executives should have a significant proportion of their pay directly linked to performance.



* This index comprises AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.

Additional remuneration disclosures

Percentage change in remuneration of CEO

	Emma Walmsley		UK Employees
	2018 £000	% change	% change
Salary	**1,028**	2.5%	2.5%
Benefits	**234**	(12.03)%	0%
Annual bonus	**1,912**	24.16%	8%

For the wider UK employee population, the salary increase includes the annual salary review as well as any additional changes in the year, e.g. on promotion. UK employee benefits are unchanged on the previous year as there have been no changes to our benefit policies or levels. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, e.g. promotion. The UK population was considered to be the most relevant comparison as it most closely reflects the economic environment encountered by the CEO.

Relative importance of spend on pay

The table shows total employee pay and the Group's dividends paid to shareholders.

	2018 £m	2017 £m
Total employee pay	**9,440**	9,122
Dividends	**3,927**	3,906

The figures in the table above, which reflect payments made during each year and the impact of movements in exchange rates, are as set out on pages 158 and 164. However, dividends declared in respect of 2018 were £3,935 million (2017 – £3,911 million) an increase of 0.5%.

Total employee pay is based on 96,851 employees, the average number of people employed during 2018 (2017 – 99,349).

Service contracts

The table below sets out the relevant dates of the Executive Directors' service contracts, which are available for review at the company's registered office during office hours and on gsk.com. Each Executive Director's service contract contains a 12-month notice period, as set out in our Remuneration policy.

	Date of contract	Effective date	Expiry date
Emma Walmsley	29.03.17	01.04.17	30.06.34
Simon Dingemans	08.09.10	04.01.11	30.04.28
Dr Hal Barron	16.12.17	01.01.18	31.12.24
Iain Mackay	18.09.18	14.01.19	n/a

Shareholder votes on remuneration matters

The table below shows most recent shareholder votes in respect of the Remuneration report and Remuneration policy.

2018 AGM	Total votes cast (billion)	Total votes for (%)	Total votes against (%)	Votes withheld (million)
Remuneration report	2.9	90.4	9.59	752
2017 AGM				
Remuneration policy	3.4	95.23	4.77	66

External appointments for Executive Directors

The Board encourages Executive Directors to hold one listed company external directorship (or equivalent) each as they become established in their roles, to broaden their experience and development, from which they may retain any fees. Any such appointments are considered by the Nominations Committee and the Board, in line with the company's policy on external appointments, to ascertain the nature and scope of the appointments and ensure they would not cause an actual or potential conflict of interest, and that the individual Executive Director continues to meet their existing commitments to GSK. It is the company's policy that remuneration earned from such appointments may be kept by the individual.

The Board recognises the importance of ensuring that Dr Hal Barron remains connected to the life sciences community and has therefore approved his appointment to the boards of GRAIL Inc (a private company), and Juno Therapeutics Inc (a NASDAQ listed company). Prior to his appointment to GRAIL, Dr Barron was a director of Juno until its acquisition by Celgene Corporation in March 2018.

Company	Position	For period	Fees earned
Juno Therapeutics Inc (NASDAQ listed)	Non-Executive Director	January to March 2018	$29,232
GRAIL, Inc (private company)	Non-Executive Director	From August 2018	$5,914

Annual report on remuneration continued

Implementation of Remuneration policy for 2019

Salary

The Committee determined the following salary increases taking into account the average increase for the wider workforce:

	2019	% change
Wider workforce(1)	–	2.5
Emma Walmsley(2)	£1,110,348	8
Simon Dingemans	£772,800	–
Iain Mackay	£850,000	n/a
Dr Hal Barron	$1,742,500	2.5

(1) Based on the average increase budget for employees below the level of CET in the UK.

(2) As referenced in the Chairman's annual statement following shareholder consultation the Committee has decided to adjust Ms Walmsley's pay to reflect her development and performance in role.

Benefits

No significant changes to the provision of benefits are proposed for 2019. For full details of the policy in relation to benefits, please refer to the details in the 2017 Remuneration policy report on pages 137 to 146 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

Pension

The table below provides an overview of the pension arrangements for each ongoing Executive Director in 2019.

	Pension contribution
Emma Walmsley Iain Mackay	20% of base salary and matching contributions of 5% on the first £33,333 of salary in accordance with the terms of the plan open to all employees, and 20% of base salary in lieu of pension on salary in excess of £33,333
Dr Hal Barron	38% of base salary. In addition, from 1 January 2019, a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contribution plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.

Annual bonus

No significant changes to the operation of the Annual bonus plan, in accordance with the shareholder approved 2017 Remuneration policy, are proposed for 2019.

	Target	Maximum
Emma Walmsley Iain Mackay Dr Hal Barron	100%	200%

The financial measure is Adjusted Group PBIT, which represents a weighting of 70% for the Annual Bonus Plan. The individual

Long Term Incentive plans

Deferred Annual Bonus Plan (DABP) awards

The table below provides details of the mandatory deferral into the DABP of 50% of 2018 annual bonus payments and the associated awards granted. The shares awarded have no performance conditions but must be held for three years, regardless of continued employment.

	% of total bonus deferred into shares	(number shares)	2019 DABP award (number ADS)
Emma Walmsley	50	61,813	
Simon Dingemans	50	44,215	
Dr Hal Barron	50		37,120

Performance Share Plan (PSP) awards

The table below provides details of awards granted under the PSP:

	2019 PSP award (% of salary)	(number shares)	2019 PSP award (number ADS)
Emma Walmsley	550	404,592	
Iain Mackay	400	225,255	
Dr Hal Barron	500		217,161

Performance measures

The metrics for the PSP awards remain unchanged. The 2019 awards will continue to be based on three equally weighted measures:

– R&D new product performance;

– adjusted free cash flow; and

– relative TSR.

As in prior years, targets for R&D new products are commercially sensitive at the time of grant. However, the Committee intends to disclose targets in full following the end of the performance period.

In addition, the Committee will continue to provide shareholders with interim performance updates for this element over the course of the performance period.

TSR will continue to be measured against global pharmaceutical peers. For achieving threshold performance, 25% of each award will continue to vest in respect of the R&D new product performance and AFCF performance measures. The relative TSR vesting schedule for the 2019 awards has been revised as follows:

Ranking position	Vesting Schedule for the 2019 awards	Vesting Schedule for the 2018 awards
1st, 2nd or 3rd	100%	100%
4th	70%	72%
5th	40%	44%
Median (Threshold vesting)	25%	30%
6th or below	0%	0%

performance measure represents the remaining weighting of 30%. Inevitably, targets linked directly to the financial and strategic plan are commercially sensitive. The Committee does not consider it appropriate to disclose annual bonus targets during the year as it may result in competitive harm. However, details of the performance targets will be disclosed on a retrospective basis in the 2019 Annual Report.

The TSR comparator group remains unchanged from that shown on page 103 in respect of the 2016 awards.

The adjusted free cash flow targets for the 2019 awards are as follows:

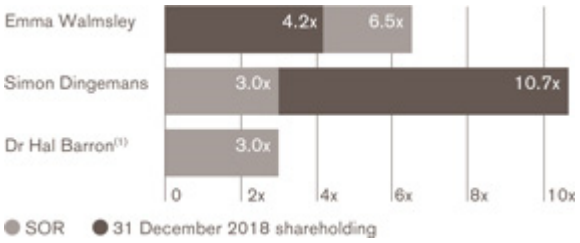
	Target	% vesting
Maximum	£13.91bn	100%
	£13.31bn	75%
	£12.10bn	50%
Threshold	£11.74bn	25%

Implementation of Remuneration policy for 2019 continued

Shareholdings versus Share Ownership Requirement (SOR)

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. Executive Directors are required to continue to satisfy these share ownership requirements for a minimum of 12 months after leaving GSK.

Share ownership vs SOR (multiples of base salary)



(1) Dr Hal Barron was appointed to the Board on 1 January 2018, at which point he had a shareholding of 1,644 GSK ADS.

Payments for loss of office (audited)

No loss of office payments were made in 2018.

Termination arrangements for CFO

As announced in 2018, Simon Dingemans will leave the Board in May 2019. As Simon Dingemans is a voluntary leaver, he will not receive any severance payment when he leaves the company. Salary, bonus and outstanding incentive awards will be treated in accordance with the shareholder approved 2017 Remuneration policy.

Full disclosure of all payments made upon cessation will be included in the 2019 Annual report on remuneration.

Remuneration element	Summary of treatment
Annual bonus	Will not receive any bonus for 2019.
PSP and DABP	Will not be granted PSP awards in 2019, but 50% of his 2018 bonus will be deferred into DABP.
Outstanding PSP and DABP matching awards	Any awards not vested prior to Simon Dingemans' departure will lapse when he leaves GSK.
DABP deferred bonus awards	Awards for bonuses deferred in respect of 2018 and prior years will vest at the normal vesting dates.

In addition to the above, Simon Dingemans will be required to maintain a shareholding equal to his share ownership requirement for at least 12 months after leaving the company.

Remuneration arrangements for CFO Designate

Iain Mackay joined GSK as Chief Financial Officer Designate on 14 January 2019, and is an Executive Director. A summary of his remuneration is set out below:

		Notes
Base salary	£850,000	The comparator group for pay for the CFO position is the UK cross-industry comparator group.
Annual bonus	£850,000	The on-target bonus would be 100% with a maximum of 200% as for the outgoing CFO.
Award of LTIs	£1,700,000	This assumes an expected value of 50% of an award of performance shares under the company's 2017 Performance Share Plan at a 4x multiple of base salary as for the outgoing CFO.
Share Ownership Requirement (SOR)	300% of base salary	This is in line with GSK's 2017 Remuneration policy.
Pension	20% of base salary and matching contributions	Pension is in line with GSK's 2017 Remuneration policy.
Benefits		Benefits will be in line with GSK's 2017 Remuneration policy.

There were no buy-out arrangements.

Payments to past Directors (audited)

As set out in our 2016 Annual Report, Sir Andrew Witty and Dr Moncef Slaoui left the Board on 31 March 2017 by mutual agreement.

In accordance with the Remuneration policy, approved by shareholders in 2014, their 2015 PSP awards and 2015 DABP awards vested following the one-year anniversary of their termination dates in 2018 under the terms of the Executive Financial Recoupment Policy.

Dr Moncef Slaoui

	Number of ADS awarded	% vested in July 2018	ADS price $	Equating to $
2015 PSP	108,725	69	40.85	4,441,444
2015 DABP	9,937	69	40.85	405,929

Other benefits: the grossed up cost of the post employment financial planning provided following his leaving the company was $45,809.

Sir Andrew Witty

	Number of shares awarded	% vested in April 2018	Share price £	Equating to £
2015 PSP	357,352	69	14.21	5,077,972
2015 DABP	25,122	69	14.21	356,984

Other benefits: the grossed up cost of the post employment financial planning and home security following his leaving the company was £23,184.

Annual report on remuneration continued

Remuneration governance

Role of the Committee

The role of the Committee is to set the company's remuneration policy so that GSK is able to recruit, retain and motivate its executives.

The Remuneration policy is regularly reviewed to ensure that it is consistent with the company's scale and scope of operations, supports the business strategy and growth plans and helps drive the creation of shareholder value.

Terms of reference

The Committee's full terms of reference are available on the company's website. The terms of reference are reviewed at least annually and were last revised in January 2019 to reflect best practice, particularly in respect of the new UK Corporate Governance Code.

Governance

The Board considers all of the members of the Committee to be independent Non-Executive Directors in accordance with the UK Corporate Governance Code.

Membership

The members of the Committee, together with their appointment dates, are set out below:

Committee members	Committee member since
Urs Rohner Chair	1 January 2015 (Chair since 7 May 2015)
Vindi Banga	1 January 2016
Dr Vivienne Cox	1 January 2017
Judy Lewent	1 January 2013

Committee meetings usually include a closed session, during which only members of the Committee are present. Other individuals may also be invited to attend Committee meetings during the year. Executives and other Committee attendees are not involved in any decisions, and are not present at any discussions, regarding their own remuneration.

Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 68 to 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at the Committee include:

Committee attendees

Attendee	Regular attendee	Attends as required
CEO		✓
CFO		✓
Head of Human Resources		✓
Head of Reward	✓	
Committee Adviser (PwC)		✓

Judy Lewent and Vindi Banga, as members of the Audit & Risk and Remuneration Committees, provide input on the Audit & Risk Committee's review of the Group's performance and oversight of any risk factors relevant to remuneration decisions.

Adviser to the Committee

The company undertook a full commercial tender process during 2018 and appointed PricewaterhouseCoopers LLP (PwC) as independent adviser to the Committee with effect from 6 September 2018. PwC replaced Willis Towers Watson LLP (WTW) who served as independent adviser for the first part of 2018. Both PwC and WTW are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

PwC resigned as the Group's statutory auditors after GSK's 2017 Annual Report was signed in March 2018 and provided other consulting and assurance services during the time they have been the Committee's independent advisers. WTW provided additional market data to the Committee and also provided other HR consulting services to the company prior to PwC's appointment. In line with the protocols agreed and set by the Committee Chair under which PwC and WTW provided their advice, the Committee is satisfied that such advice has been objective and independent.

During their respective tenures in 2018, PwC and WTW have provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements. PwC's and WTW's fees for advice during that period, which were charged on a time and materials basis, were £51,250 and $144,880 respectively. The Committee is satisfied that this did not compromise either firm's independence.

Committee evaluation

The Committee's annual evaluation was facilitated by the Company Secretary, who interviewed Committee members on behalf of the Committee Chair. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's work, it was agreed that the Committee will examine the philosophy

underpinning the remuneration policy framework when reviewing our policy for approval at the 2020 AGM.

Remuneration governance continued

What the Committee did during 2018

Areas of Committee focus	Items discussed
Remuneration policy The Committee sets the broad structure for the Remuneration policy and determines the remuneration of the Executive Directors, the Chairman and other corporate officers for Board approval.	– Remuneration impact of 2018 major Group restructuring – Engagement with shareholders – Employee consultation on setting policy and pay
Salary review The Committee periodically reviews and considers the remuneration environment of Executive Directors and CET, approving annual adjustments as necessary.	– Remuneration environment (including wider employee trends) – Executive Director and CET benchmarking, competitiveness and GSK comparator groups – Executive Director and CET salary recommendations and increases for 2019 – Setting remuneration for Iain Mackay
Annual bonus The Committee is responsible for setting specific performance measures for the Annual bonus.	– CEO, Executive Director and CET 2017 bonus recommendations and 2018 bonus objectives
LTI plans The Committee is responsible for approving LTI plan rule changes, grants, assessments of performance, and the vesting of LTI awards for the Executive Directors, CET and below.	– LTI performance outcomes and vesting of LTI awards for CET and below – LTI grants for CET and below
Governance and other areas of focus The Committee adheres to a robust remuneration governance framework, ensuring alignment between internal actions and external reporting/compliance requirements.	– Committee evaluation process – 2017 Remuneration report – Remuneration considerations and committee programme for 2018 – AGM and Remuneration report feedback, the external remuneration environment and performance target disclosure for incentive plans – Chairman's fees – 2018 Remuneration report disclosures, including CEO pay ratio – Remuneration Committee external adviser tender process – Gender pay gap reporting – Recruitment policy briefing

Annual report on remuneration continued

2018 Non-Executive Directors' fees

Chairman and other Non-Executive Directors

The company aims to provide the Chairman and other Non-Executive Directors with fees that are competitive with those paid by other companies of equivalent size and complexity, subject to the limits contained in GSK's Articles of Association.

Chairman's fees

The Chairman, Philip Hampton, is paid a fee of £700,000 per annum, of which he has elected to take 25% in GSK shares. The Chairman's fees were reviewed during the year but were not changed.

Non-Executive Directors' fees

Non-Executive Director fees were reviewed during the year following the last increase in January 2013 and it was decided not to make any change at this time. A minimum of 25% of fees will continue to be delivered as shares or ADS deferred until the Non-Executive Director steps down from the Board.

The Non-Executive Directors' fees that applied during 2018 are set out in the table below:

	Per annum
Standard annual fee	£85,000
Supplemental fees	
Chair of the Audit & Risk Committee	£80,000
Senior Independent Director	£30,000
Scientific/Medical Experts Chairs of the Remuneration, Corporate Responsibility and Science Committees	
Non-Executive Director undertaking intercontinental travel to meetings	£7,500 per meeting

The audited table below sets out the value of fees and benefits received by the Non-Executive Directors in the form of cash and shares or ADS. Further details of the Non-Executive Directors' share allocation plan are set out on page 113. Non-Executive Directors' fees that are paid in a currency other than Sterling are converted using an average exchange rate that is reviewed from time to time. Benefits comprise the grossed up cash value of travel and subsistence costs incurred in the normal course of business, in relation to attendance at Board and Committee meetings. For overseas-based Directors, this includes travel to meetings in the UK.

Non-Executive Directors' emoluments (000) (audited)	2018				2017			
	Fixed fees				Fixed fees			
	Cash	Shares/ADS	Benefits	Total pay	Cash	Shares/ADS	Benefits	Total pay
Vindi Banga	£65	£50	£3	**£118**	–	£123	£8	£131
Dr Vivienne Cox	£64	£21	£11	**£96**	£69	£23	£14	£106
Lynn Elsenhans (1)	$56	$175	$90	**$321**	£15	£137	£70	£222
Dr Laurie Glimcher	–	$231	$73	**$304**	–	$69	$32	$101
Dr Jesse Goodman	$208	$69	$115	**$392**	$216	$72	$140	$428
Philip Hampton	£525	£175	£19	**£719**	£525	£175	£20	£720
Judy Lewent	$230	$77	$130	**$437**	$239	$80	$157	$476
Urs Rohner	£86	£29	£23	**£138**	£92	£31	£16	£139
Former directors:								
Professor Sir Roy Anderson (2)	£39	£7	£18	**£64**	£92	£31	£9	£132
Sir Deryck Maughan (3)	–	–	£5	£5				
Dr Daniel Podolsky (3)	–	–	£7	£7				
Hans Wijers (4)	–	–	£8	£8	–	–	£6	£6

(1) Lynn Elsenhans elected to receive her Non-Executive Director fees in USD in 2018.

(2) Professor Sir Roy Anderson retired from the Board on 3 May 2018.

(3) Dr Daniel Podolsky and Sir Deryck Maughan retired from the Board on 5 May 2016.

(4) Hans Wijers retired from the Board on 7 May 2015.

Directors' interests in shares (audited)

The interests of the Directors of the company in office during 2018 and their persons closely associated (PCA) are shown in the tables below.

	Total directors' interests as at			Total share plan interests as at 31 December 2018 or date of retirement					
				Shares/ADS		Options			
	1 March 2019	31 December 2018 or date of leaving	1 January 2018	[a]Unvested and not subject to performance	Unvested and subject to performance	[a]Unvested and not subject to performance	Unvested and subject to performance	Vested but not exercised	Exercised in the year
Executive Directors									
Shares									
Emma Walmsley[a,b,c,d,e,f]	416,292	**281,726**	147,665	–	1,073,823	129,348	67,255	137,040	21,096
Simon Dingemans[a,b,c,d,e,f]	734,039	**540,663**	329,298	161,231	711,292	118,238	74,368	266	29,465
Sir Patrick Vallance[a,b,c,d,f]		**404,201**	303,733	–	539,829	98,955	55,844	–	34,344
ADS									
Dr Hal Barron[a,c,e]	38,764	**1,644**	1,644	–	242,727	–	–	–	–

	Total directors' interests as at			Share allocation plan for Non-Executive Directors					
								Number of shares or ADS	
	1 March 2019	31 December 2018 or date of leaving	1 January 2018 or date of appointment	Dividends reinvested after year end	31 December 2018	Paid out	Dividends reinvested during the year	Allocated & elected	31 December 2017
Non-Executive Directors									
Shares[g]									
Professor Sir Roy Anderson[h]	–	**32,152**	29,306	–	–	32,152	1,785	1,061	29,306
Vindi Banga	58,326	**56,753**	50,802	1,091	21,553	–	779	5,172	15,602
Dr Vivienne Cox	3,857	**3,352**	1,804	150	3,352	–	75	1,473	1,804
Philip Hampton	56,208	**51,157**	37,398	2,125	44,239	–	1,631	12,128	30,480
Urs Rohner	8,748	**7,785**	5,591	382	7,885	–	301	1,993	5,591
ADS[g]									
Lynn Elsenhans	33,134	**30,587**	24,398	1,497	29,587	–	1,225	4,964	23,398
Dr Laurie Glimcher	7,562	**5,961**	350	202	5,961	–	5	5,606	350
Dr Jesse Goodman	5,167	**4,538**	2,610	206	4,538	–	89	1,839	2,610
Judy Lewent	25,459	**24,271**	21,630	718	14,105	–	609	2,033	11,463

a) Unvested options not subject to performance of 129,348 for Emma Walmsley represent bonus deferrals of 128,604 and Share Save options of 744.

Unvested shares not subject to performance of 161,231 for Simon Dingemans represent 100% of the shares awarded at the end of the three-year performance period for the 2015 PSP grant, together with subsequent re-invested dividends. These shares are subject to a further two-year holding period. Unvested options not subject to performance of 118,238 for Mr Dingemans represent bonus deferrals of 117,782 and Share Save options of 456.

Unvested options not subject to performance of 98,955 for Sir Patrick Vallance represent bonus deferrals.

b) Total Directors' interests includes shares purchased through the GlaxoSmithKline Share Reward Plan. During 2018, Emma Walmsley and Simon Dingemans were each awarded 103 shares under the plan. The total number of shares held within the plan are as follows:

Share Reward Plan (Shares)	1 March 2019	31 December 2018	1 January 2018
Emma Walmsley	1,546	**1,496**	1,219
Simon Dingemans	1,999	**1,943**	1,642
Sir Patrick Vallance	–	**–**	3,263

Dr Hal Barron is a US employee and is not eligible to participate in the Share Reward Plan, as this is only open to UK employees.

Annual report on remuneration continued

Directors' interests in shares (audited) continued

c) Total directors' interests includes options over shares or ADS resulting from the deferral of bonus (and the subsequent re-investment of dividends) under the DABP. The totals shown in the table below include bonus deferrals, but exclude any unvested matching awards which are subject to ongoing performance criteria. The amounts represent the gross share and ADS balances prior to the sale of any shares or ADS to satisfy tax liabilities.

Deferred Annual Bonus Plan (Bonus deferrals)		1 March 2019	31 December 2018 or date of retirement	1 January 2018
Emma Walmsley	Shares	159,409	**128,604**	75,959
Simon Dingemans	Shares	120,406	**117,782**	87,575
Dr Hal Barron	ADS	37,120	**–**	–
Sir Patrick Vallance	Shares	–	**98,955**	75,092

d) Total directors' interests at 1 March 2019 includes any shares or ADS which vested due to performance being met under elements of the DABP and PSP (2016-2018 awards), less those sold to satisfy tax liabilities on the vested amounts (see pages 115 to 118 for further details).

e) **Share Save Plan**
For Emma Walmsley and Simon Dingemans the unvested options not subject to performance include holdings of 744 and 456 respectively in the Share Save Plan, in which Ms Walmsley and Mr Dingemans participate on the same terms as all other employees. Ms Walmsley was granted 744 options under the plan on 29 November 2018.

f) The following table sets out details of options (all nil-cost options under the DABP) exercised during 2018 by Executive Directors.

Type of award	Date of grant	Number of shares under option	Date of exercise	Grant price	Market price at exercise	Gain on exercise (000)
Emma Walmsley						
DABP – deferral	11.02.15	12,482	16.02.18	–	£13.16	£164
DABP – matching	11.02.15	8,614	16.02.18	–	£13.16	£113
		21,096				£277
Simon Dingemans						
DABP – deferral	11.02.15	17,435	16.02.18	–	£13.12	£229
DABP – matching	11.02.15	12,030	16.02.18	–	£13.12	£158
		29,465				£387
Sir Patrick Vallance						
DABP – deferral	11.02.15	20,322	19.02.18	–	£13.18	£268
DABP – matching	11.02.15	14,022	19.02.18	–	£13.18	£185
		34,344				£453

In respect of nil-cost options under the DABP, the bonus which is deferred by the Director is recorded as remuneration (under Annual bonus) for the year to which it relates. The gain recorded on exercise of the nil-cost option comprises this remuneration, the total of the amounts received in re-invested dividends prior to vesting and the gains or losses resulting from movements in the share price between the dates of grant and exercise for the initial bonus amount deferred and the dates of dividend reinvestment and exercise for the re-invested dividends.

For the matching element of the DABP, the remuneration of the Executive Director is recorded in the year that the performance period ends and represents the number of vested shares multiplied by the price at vesting. The gain recorded on exercise of the nil-cost option comprises the total of this remuneration and the gain or loss resulting from the movement in the share price between vesting and exercise.

Directors' interests in shares (audited) continued

For Emma Walmsley:

– The gain of £164,263 recorded following the exercise of the 12,482 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £159,715 recorded in 2014 as Annual bonus and a net gain of £4,548 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.

– The gain of £113,360 recorded following the exercise of the 8,614 nil-cost options relating to the DABP matching award comprises remuneration of £111,982 recorded in 2017 in relation to the DABP (see table below) and an investment gain of £1,378 relating to the movement in the share price between the vesting and exercise dates.

For Simon Dingemans:

– The gain of £228,747 recorded following the exercise of the 17,435 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £223,065 recorded in 2014 as Annual bonus and a net gain of £5,682 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.

– The gain of £157,833 recorded following the exercise of the 12,030 nil-cost options relating to the DABP matching award comprises remuneration of £156,390 recorded in 2017 in relation to the DABP (see page 116) and an investment gain of £1,444 relating to the movement in the share price between the vesting and exercise dates.

For Sir Patrick Vallance:

– The gain of £267,844 recorded following the exercise of the 20,322 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £260,015 recorded in 2014 as Annual bonus and a net gain of £7,829 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.

– The gain of £184,810 recorded following the exercise of the 14,022 nil-cost options relating to the DABP matching award comprises remuneration of £182,286 recorded in 2017 in relation to the DABP (see page 116) and an investment gain of £2,524 relating to the movement in the share price between the vesting and exercise dates.

g) For Non-Executive Directors, total interests include shares or ADS received as part or all of their fees under the Non-Executive Directors' Share Allocation Plan. Note that dividends received on shares or ADS under the plan during 2018 and January 2019 were converted into shares or ADS as at 6 February 2019.

h) Professor Sir Roy Anderson retired from the Board on 3 May 2018.

Deferred Annual Bonus Plan matching awards

The following tables provide details for each Executive Director in office during 2018 in respect of DABP matching awards. Market price at grant and at vesting represent the closing share prices from the business day prior to those dates.

Emma Walmsley – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	12,306	30,474	33,179
Dividends reinvested	176	1,724	1,878
Vested	(8,614)	–	–
Lapsed	(3,868)	–	–
Unvested at 31 December 2018	–	32,198	35,057
Dividends reinvested		398	432
Vested		(19,234)	–
Lapsed		(13,362)	–
Unvested at 1 March 2019		–	35,489
Vested shares			
Number of shares	8,614	19,234	
Market price at vesting	£13.00	£15.66	

Gain:	(000)	(000)
Remuneration for 2017	£112	–
Remuneration for 2018	–	£301

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Deferred Annual Bonus Plan matching awards continued

Simon Dingemans – Shares	Performance period 2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	17,188	40,244	30,143
Dividends reinvested	245	2,276	1,705
Vested	(12,030)	–	–
Lapsed	(5,403)	–	–
Unvested at 31 December 2018	–	42,520	31,848
Dividends reinvested		524	392
Vested		(25,398)	–
Lapsed		(17,646)	–
Unvested at 1 March 2019		–	32,240
Vested shares			
Number of shares	12,030	25,398	
Market price at vesting	£13.00	£15.66	
Gain:	(000)	(000)	
Remuneration for 2017	£156	–	
Remuneration for 2018	–	£398	

Sir Patrick Vallance – Shares	Performance period 2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	20,035	32,590	22,468
Dividends reinvested	286	997	687
Vested	(14,022)	–	–
Lapsed	(6,299)	(33,587)	(23,155)
Unvested at 31 December 2018	–	–	–
Dividends reinvested			
Vested			
Lapsed			
Unvested at 1 March 2019	–	–	–
Vested shares			
Number of shares	14,022	–	
Market price at vesting	£13.00	–	
Gain:	(000)	(000)	
Remuneration for 2017	£182	–	
Remuneration for 2018	–	–	

Directors' interests in shares (audited) continued

Performance Share Plan awards

The following tables provide details for each Executive Director in office during 2018 in respect of PSP awards. Market price at grant and at vesting represent the closing share prices on those dates.

					Performance period	
Emma Walmsley – Shares	**2015-2017**	**2015-2017**	**2016-2018**	**2017-2019**	**2018-2020**	**2019-2021**
Market price at grant	£15.20	£14.01	£13.59	£15.46	£12.91	£15.12
Unvested at 31 December 2017	130,642	67,715	223,024	361,379	–	–
Granted	–	–	–	–	437,997	–
Face value at grant (000)	–	–	–	–	£5,655	–
Dividends reinvested	1,865	967	12,639	20,479	18,305	–
Vested	(91,430)	(47,391)	–	–	–	–
Lapsed	(41,077)	(21,291)	–	–	–	–
Unvested at 31 December 2018	–	–	235,663	381,858	456,302	–
Dividends reinvested			2,915	4,723	5,645	–
Vested			(140,762)	–	–	–
Lapsed			(97,816)	–	–	–
Unvested at 1 March 2019			–	386,581	461,947	–
Granted			–	–	–	404,592
Face value at grant (000)			–	–	–	£6,117
Unvested at 8 March 2019			–	386,581	461,947	404,592
Vested shares						
Number of shares	91,430	47,391	140,762			
Market price at vesting	£13.00	£13.00	£15.66			

Gain:	(000)	(000)	(000)	Total (000)
Remuneration for 2017	£1,189	£616	–	£1,805
Remuneration for 2018	–	–	£2,204	£2,204

				Performance period
Simon Dingemans – Shares	**2015-2017**	**2016-2018**	**2017-2019**	**2018-2020**
Market price at grant	£15.20	£13.59	£15.46	£12.91
Unvested at 31 December 2017	221,136	239,499	197,574	–
Granted	–	–	–	239,442
Face value at grant (000)	–	–	–	£3,091
Dividends reinvested	3,158	13,573	11,197	10,007
Vested	(154,763)	–	–	–
Lapsed	(69,531)	–	–	–
Unvested at 31 December 2018	–	253,072	208,771	249,449
Granted		–	–	–
Face value at grant (000)		–	–	–

Dividends reinvested	3,130	2,582	3,086
Vested	(151,161)	–	–
Lapsed	(105,041)	–	–
Unvested at 1 March 2019	–	211,353	252,535

Vested shares		
Number of shares	154,763	151,161
Market price at vesting	£13.00	£15.66
Gain:	(000)	(000)
Remuneration for 2017	£2,012	–
Remuneration for 2018	–	£2,367

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Performance Share Plan awards continued

Sir Patrick Vallance – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.46
Unvested at 31 December 2017	224,309	276,745	255,484
Granted	–	–	–
Dividends reinvested	3,203	8,468	7,817
Vested	(156,984)	–	–
Lapsed	(70,528)	(285,213)	(263,301)
Unvested at 31 December 2018	**–**	**–**	**–**

Vested shares:	
Number of shares	156,984
Market price at vesting	£13.00
Gain:	(000)
Remuneration for 2017	£2,041

Iain Mackay was appointed to the Board from 14 January 2019. The following table provides details of PSP awards granted to him on 11 March 2019:

Iain Mackay – Shares	Performance period
	2019-2021
Market price at grant	£15.12
Number of shares	225,255
Face value at grant (000)	£3,406
Unvested at 8 March 2019	225,255

Dr Hal Barron – ADS	Performance period	
	2018-2020	2019-2021
Market price at grant	$36.46	$40.12
Unvested at 31 December 2017	–	–
Granted	233,132	–
Face value at grant (000)	$8,500	–
Dividends reinvested	9,595	–
Unvested at 31 December 2018	242,727	**–**
Dividends reinvested	2,953	–
Unvested at 1 March 2019	245,680	**–**
Granted	–	217,161
Face value at grant (000)	–	$8,172
Unvested at 8 March 2019	245,680	217,161

Directors and Senior Management

Further information is provided on compensation and interests of Directors and Senior Management as a group (the group). For this purpose, the group is defined as the Non-Executive and Executive Directors, other members of the CET and the Company Secretary. For the financial year 2018, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

Remuneration for 2018	**(£)**
Total compensation paid	29,142,577
Aggregate increase in accrued pension benefits (net of inflation)	906,937
Aggregate payments to defined contribution schemes	363,756

During 2018, members of the group were awarded shares and ADS under the company's various executive share plans, as set out in the table below. To align the interests of Senior Management with those of shareholders, Directors and Senior Management are required to build and maintain significant holdings of shares in GSK over time. CET members are required to hold shares to an equivalent multiple of two times base salary, and are required to continue to satisfy these share ownership requirements for a minimum of 12 months after leaving GSK.

	Awards		**Dividend reinvestment awards**	
Awarded during 2018	**Shares**	**ADS**	**Shares**	**ADS**
Deferred Annual Bonus Plan	–	–	19,804	1,827
Performance Share Plan	2,002,494	438,542	229,872	37,819
Deferred Investment Awards[a] [b]	101,327	6,320	6,600	673
Share Value Plan[b]	11,060	–	–	–

At 1 March 2019, the group and their PCAs had the following interests in shares and ADS of the company. Interests awarded under the various executive share plans are described in Note 43 to the financial statements, 'Employee share schemes' on page 212.

Interests at 1 March 2019	**Shares**	**ADS**
Owned	1,382,607	141,889
Unexercised options	149,382	7,670
Deferred Annual Bonus Plan	646,472	81,555
Performance Share Plan	3,359,591	562,043
Deferred Investment Awards[a] [b]	120,454	13,021
Share Value Plan[b]	36,200	6,320

(a) Notional shares and ADS.
(b) Executive Directors are not eligible to receive Deferred Investment Awards or participate in the Share Value Plan.

2017 Remuneration policy summary

Executive Director Remuneration policy

The following is a summary of this policy.

Salary

To provide a core reward for the role. Set at a level appropriate to secure and retain high calibre individuals needed to deliver the Group's strategic priorities.

Operation

Individual's role, experience and performance and independently sourced data for relevant comparator groups considered when determining salary levels.

Opportunity

There is no formal maximum limit and, ordinarily, salary increases will be broadly in line with the average increases for the wider GSK workforce.

However, increases may be higher to reflect a change in the scope of the individual's role, responsibilities or experience. Salary adjustments may also reflect wider market conditions in the geography in which the individual operates.

Details of current salary levels are set out in the Annual report on remuneration on pages 99 and 108.

Performance measures

The overall performance of the individual is a key consideration when determining salary increases.

Benefits

Levels are set to recruit and retain high calibre individuals to execute the business strategy.

Operation

Executive Directors are generally eligible to receive benefits in line with the policy for other employees which may vary by location. These include travel allowances (including spouse/partner travel), healthcare, life assurance/death in service (where not provided as part of the individual's pension arrangements), personal financial advice and contractual post-retirement benefits.

Opportunity

There is no formal maximum limit as benefits costs can fluctuate depending on changes in provider cost and individual circumstances.

Details of current benefits and costs are set out in the Annual report on remuneration on page 99.

Performance measures

None.

Pension

Pension arrangements provide a competitive level of retirement income.

Operation

Pension arrangements are structured in accordance with the plans operated in the country in which the individual is likely to retire. Where the individual chooses not to become a member of the pension plan, cash in lieu of the relevant pension contribution is paid instead.

New Executive Directors in the UK will be entitled either to join the defined contribution pension plan or to receive a cash payment in lieu of pension contribution. Where an individual is a member of a GSK legacy defined benefit plan, a defined contribution plan or an alternative pension plan arrangement and is subsequently appointed to the Board, he or she may remain a member of that plan.

Opportunity

The policy for all current Executive Directors and new external recruits is:

UK:
- 20% of salary contribution to defined contribution plan and further 5% in matched contributions subject to any relevant cap and in line with implementation principles for other members of the plan; or
- 20% of salary cash payment in lieu of pension contribution.

US: Eligible for the same benefits as other US senior executives:
- Cash Balance Pension Plan and Supplemental Cash Balance Pension Plan, including Executive Pension Credit, provide maximum contribution of 38% of base salary across all pension plans.
- GSK 401(k) plan (formerly the US Retirement Savings Plan) and the Executive Supplemental Savings Plan with core contributions of 2% of salary and bonus and matched contributions of 4% of salary and bonus.

Performance measures

None.

Annual bonus

To incentivise and recognise execution of the business strategy on an annual basis. Rewards the achievement of stretching annual financial and strategic business targets and delivery of personal objectives.

Operation
Financial, operational and business targets are set at the start of the year by the Committee and bonus levels are determined by the Committee based on performance against those targets.

Individual objectives are set at the start of the year by the Committee and performance against objectives is assessed by the Committee.

Executive Directors are required to defer 50% of any bonus earned into shares, or ADS as appropriate, for three years. Deferred shares vest at the end of the three years.

Opportunity
The maximum bonus opportunity for Executive Directors is 200% of salary. For threshold performance, the bonus pay-out will be nil.

For target performance, the bonus payout will be 50% of the maximum opportunity.

Performance measures
Based on a combination of financial targets and individual/ strategic performance objectives, with the majority of the bonus assessed against the financial measures. The weighting between different measures will be determined each year according to business priorities.

Executive Director Remuneration policy continued

LTI awards To incentivise and recognise delivery of the longer term business priorities, financial growth and increases in shareholder value compared to other pharmaceutical companies. To provide alignment with shareholder interests, a retention element, to encourage long-term shareholding and discourage excessive risk taking.

PSP

Operation
Conditional awards are made annually with vesting dependent on the achievement of performance conditions over three years and are subject to an additional two-year holding period.

The Committee may adjust the formulaic vesting outcome (either up or down) to ensure that the overall outcome reflects underlying business performance over the vesting period.

Opportunity
The normal maximum award limits that may be granted under the PSP to an individual in any one year are set out in the table below:

	% of salary
CEO	650
CFO	400
Other Executive Directors	500

Performance measures
Based on a combination of financial, share price related and strategic performance conditions which are aligned to the company's strategic plan. Up to 30% of awards will vest at threshold performance.

DABP (current)

Operation
For bonus payments from 2018 onwards, Executive Directors are required to defer 50% of any bonus earned into shares for three years.

DABP (legacy, pre 2018)

Operation
For bonus payments until 2017, Executive Directors were required to defer 25% of any bonus earned into shares for three years. They could also voluntarily defer up to an additional 25% of any bonus earned.

Opportunity
These deferred shares were matched up to a maximum of 1:1 subject to the achievement of performance conditions over three years. Matching awards were conditional shares or nil-cost options and eligible for dividend equivalents.

Performance measures
Outstanding matching awards are subject to the same measures as awards made under the PSP in any given year.

Share Ownership Requirements (SOR)

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. The SOR requirement for the CEO is 650% of salary, and the SOR requirement for other Executive Directors is 300% of salary.

Executive Directors are required to continue to satisfy these requirements for a minimum of 12 months following retirement from GSK.

Clawback and malus

In the event of a ‘triggering event’ (e.g. significant misconduct by way of violation of regulation, law, or a significant GSK policy, such as the Code of Conduct), the company will have the ability to claw back up to three years’ annual and deferred bonuses as well as vested and unvested LTIs. In addition, if a participant in the new 2017 PSP or DABP, which shareholders approved at the 2017 AGM, is subject to an investigation, then the vesting of their awards may be delayed until the outcome of that investigation.

A separate Recoupment Committee has been established to investigate relevant claims of misconduct. The Recoupment Committee exercises this authority for the wider employee base. It comprises of senior executives with relevant oversight and appropriate experience, including the Senior Vice President, Global Ethics and Compliance, and the Senior Vice President & General Counsel.

In respect of each financial year, the Remuneration Committee will disclose whether it (or the Recoupment Committee) has exercised clawback or malus. Disclosure will only be made when the matter has been subject to public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders.

Additionally, where there has been continuity of responsibility between initiation of an adverse event and its emergence as a problem, the adverse event should be taken into account in assessing annual bonus awards and LTI vesting levels in the year the problem is identified and for future periods. The Remuneration Committee (or Recoupment Committee) may make appropriate adjustments to individual annual bonuses as well as grant and vesting levels of LTI awards to reflect this.

2017 Remuneration policy summary continued

Scenarios for future total remuneration

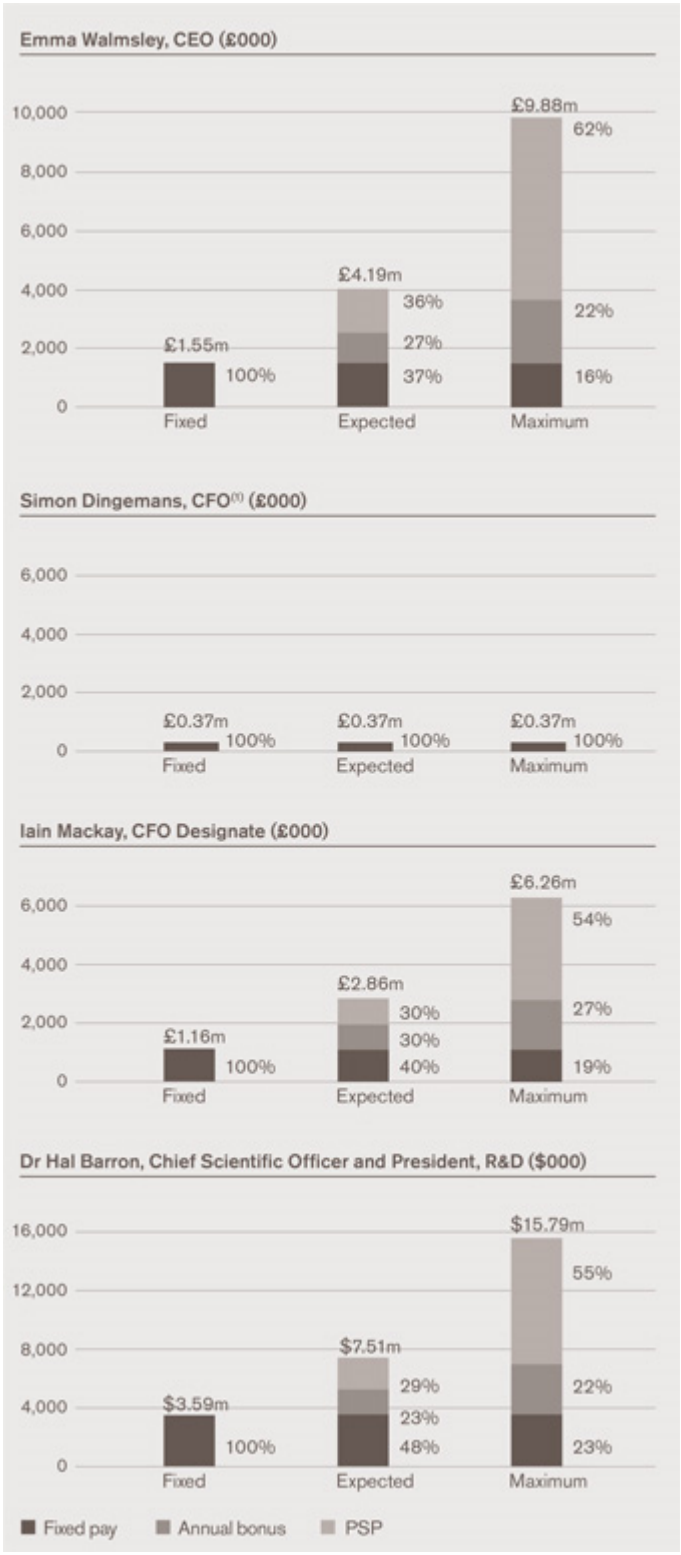
The charts opposite provide illustrations of the future total remuneration for each of the Executive Directors in respect of the remuneration opportunity granted to each of them in 2019 under the policy. A range of potential outcomes is provided for each Executive Director and the underlying assumptions are set out below.

All scenarios:
- 2019 base salary has been used.
- 2018 benefits and pension figures have been used for the CEO, CFO and the Chief Scientific Officer and President, R&D, i.e. based on actual amounts received in 2018 in respect of the ongoing policy. As the CFO Designate was not in role during 2018, the benefits value for this role is based on the value of benefits for the CFO in 2018 and on the pension arrangements to apply in 2019.
- The amounts shown under value of PSP awards are based on the relevant multiples for 2019. They do not include amounts in respect of dividends reinvested and do not factor in changes to share price over the vesting period.

Fixed:
- None of the pay for performance (Annual bonus and PSP) would be payable.

Expected:
- For the Annual bonus, it is assumed that target performance is achieved.
- For the PSP awards, threshold levels of vesting are assumed.

Maximum:
- It is assumed that the Annual bonus would be payable at the maximum level and that the awards under the PSP would vest in full.



(1) CFO will leave GSK in May 2019 and is not eligible for bonus or a PSP award for 2019. The figures represent his actual remuneration for January through 8 May 2019.

Non-Executive Director Remuneration policy

The company's Remuneration policy for Non-Executive Directors, set out below, was approved on 4 May 2017 at GSK's Annual General Meeting.

Chairman's fees

To provide an inclusive flat rate fee that is competitive with those paid by other companies of equivalent size and complexity subject to the limits contained in GSK's Articles of Association.

Operation
The Committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees.

Fees can be paid in a combination of cash and/or GSK shares or ADS via the Non-Executive Directors' Share Allocation Plan.

Opportunity
There is no formal maximum. However, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data.

Details of current fees are set out in the Annual report on remuneration on page 112.

Performance measures
None

Basic fees

As above

Operation
The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the company's Non-Executive Directors.

A minimum of 25% is delivered in the form of GSK shares or ADS, using the Non-Executive Directors' Share Allocation Plan which delivers the shares or ADS to the Non-Executive Director following retirement from the Board.

Opportunity
As with the Chairman, fees are reviewed annually and set by reference to independently sourced data.

Details of current fees are set out in the Annual report on remuneration on page 112.

Performance measures
None

Supplemental fees

To compensate Non-Executive Directors (other than the Chairman) for taking on additional Board responsibilities or undertaking intercontinental travel.

Operation
Additional fees for Committee Chairmen, the Senior Independent Non-Executive Director, Science and Medical Experts and intercontinental travel.

Opportunity
Details of supplemental fees are set out in the Annual report on remuneration on page 112.

Performance measures
None

Benefits

To facilitate execution of responsibilities and duties required by the role.

Operation
Travel and subsistence costs for Non-Executive Directors are incurred in the normal course of business in relation to meetings on Board and Committee matters and other GSK-hosted events. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK. In the event it is necessary for business purposes, whilst not normal practice, Non-Executive Directors may be accompanied by their spouse or partner to these meetings or events. The costs associated with the above are all met by the company and, in some instances, they are deemed to be taxable and therefore treated as benefits for the Non-Executive Director.

Opportunity
There is no formal maximum limit as benefit costs can fluctuate depending on changes in provider costs and individual circumstances.

Details of current benefits and costs are set out in the Annual report on remuneration on page 112.

Performance measures
None

2017 Remuneration policy summary continued

Operation and scope of Remuneration policy

The Remuneration policy (Policy) is set out on pages 138 to 146 of the 2016 Annual Report and it is intended that the Policy for GSK's Executive and Non-Executive Directors will operate for a period of three years from the date of approval at the company's Annual General Meeting on 4 May 2017.

The Committee wrote the Policy principally in relation to the remuneration arrangements for the Executive Directors, whilst taking into account the possible recruitment of a replacement or an additional Executive Director during the operation of the Policy. The Committee intends the Policy to operate for the period set out above in its entirety. However, it may after due consideration seek to change the Policy during this period, but only if it believes it is appropriate to do so for the long-term success of the company, after consultation with shareholders and having sought shareholder approval at a general meeting.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed:

(i) before the AGM on 7 May 2014 (the date the company's first shareholder-approved Directors' remuneration policy came into effect);

(ii) before the Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration policy in force at the time they were agreed; or

(iii) at a time when the relevant individual was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares or ADS, the terms of the payment are 'agreed' at the time the award is granted.

Performance Share Plan and Deferred Annual Bonus Plan awards are subject to the terms of the relevant plan rules under which the award has been granted. The Committee may adjust or amend awards only in accordance with the provisions of the plan rules. This includes making adjustments to reflect one-off corporate events, such as a change in the company's capital structure.

The Committee may also make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for such amendments.

Statement of consideration of shareholder views

The Committee engages in regular dialogue with shareholders and holds annual meetings with GSK's largest investors to discuss and take feedback on its Remuneration policy and governance matters.

Basis of preparation

The Annual report on remuneration has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). In accordance with the Regulations, the following parts of the Annual report on remuneration are subject to audit: total remuneration figures for Executive Directors including further details for each element of remuneration (salary, benefits, pension, annual bonus and long-term incentive awards); Non-Executive Directors' fees and emoluments received in the year; Directors' interests in shares, including interests in GSK share plans; payments to past Directors; payments for loss of office; and share ownership requirements and holdings, for which the opinion thereon is expressed on page 137. The remaining sections of the Annual report on remuneration are not subject to audit nor are the pages referred to from within the audited sections.

The Annual report on remuneration has been approved by the Board of Directors and signed on its behalf by:

Urs Rohner
Remuneration Committee Chairman

11 March 2019

Financial statements

In this section

Directors' statement of responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing the Group financial statements, the Directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB). The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union and IFRS as issued by the IASB, subject to any material departures disclosed and explained in the Group financial statements;
- state with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group financial statements for the year ended 31 December 2018, comprising principal statements and supporting notes, are set out in the 'Financial statements' on pages 140 to 218 of this report. The parent company financial statements for the year ended 31 December 2018, comprising the balance sheet for the year ended 31 December 2018 and supporting notes, are set out on pages 219 to 222.

The financial statements for the year ended 31 December 2018 are included in the Annual Report, which is published in printed form and made available on our website. The Directors are responsible for the maintenance and integrity of the Annual Report on our website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Each of the current Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report 2018 confirms that, to the best of his or her knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report and risk sections of the Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to auditor

The Directors in office at the date of this Annual Report have each confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern basis

Pages 38 to 64 contain information on the performance of the Group, its financial position, cash flows, net debt position and borrowing facilities. Further information, including Treasury risk management policies, exposures to market and credit risk and hedging activities, is given in Note 42 to the financial statements, 'Financial instruments and related disclosures'. Having assessed the principal risks and other matters considered in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The responsibilities of the auditor in relation to the financial statements are set out in the Independent Auditors' report on pages 128 to 139.

Directors' statement of responsibilities continued

Internal control

The Board, through the Audit & Risk Committee, has reviewed the assessment of risks and the internal control framework that operates in GSK and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by this Annual Report and up to the date of its approval by the Board of Directors.

The UK Corporate Governance Code

The Board considers that GlaxoSmithKline plc applies the principles and complies with the provisions of the UK Corporate Governance Code maintained by the Financial Reporting Council, as described in the Corporate Governance section on pages 65 to 94. The Board further considers that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

As required by the Financial Conduct Authority's Listing Rules, the auditor has considered the Directors' statement of compliance in relation to those points of the UK Corporate Governance Code which are specified for their review.

Annual Report

The Annual Report for the year ended 31 December 2018, comprising the Report of the Directors, the Remuneration report, the Financial statements and Additional information for investors, has been approved by the Board of Directors and signed on its behalf by

Philip Hampton
Chairman

11 March 2019

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This Page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

Consolidated income statement
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m	2016 £m
Turnover	6	**30,821**	30,186	27,889
Cost of sales		**(10,241)**	(10,342)	(9,290)
Gross profit		**20,580**	19,844	18,599
Selling, general and administration		**(9,915)**	(9,672)	(9,366)
Research and development		**(3,893)**	(4,476)	(3,628)
Royalty income		**299**	356	398
Other operating income/(expense)	7	**(1,588)**	(1,965)	(3,405)
Operating profit	8	**5,483**	**4,087**	**2,598**
Finance income	11	**81**	65	72
Finance expense	12	**(798)**	(734)	(736)
Profit on disposal of interest in associates		**3**	94	–
Share of after tax profits of associates and joint ventures	13	**31**	13	5
Profit before taxation		**4,800**	**3,525**	**1,939**
Taxation	14	**(754)**	(1,356)	(877)
Profit after taxation for the year		**4,046**	**2,169**	**1,062**
Profit attributable to non-controlling interests		**423**	637	150
Profit attributable to shareholders		**3,623**	1,532	912
		4,046	**2,169**	**1,062**
Basic earnings per share (pence)	15	**73.7p**	**31.4p**	**18.8p**
Diluted earnings per share (pence)	15	**72.9p**	**31.0p**	**18.6p**

Consolidated statement of comprehensive income
for the year ended 31 December 2018

		2018 £m	2017 £m	2016 £m
Profit for the year		**4,046**	2,169	1,062
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	34	**(480)**	462	646
Reclassification of exchange on liquidation or disposal of overseas subsidiaries	34	**–**	109	–
Fair value movements on equity investments			(14)	251
Deferred tax on fair value movements on equity investments			47	–
Reclassification of fair value movements on equity investments		**–**	(42)	(245)
Deferred tax reversed on reclassification of equity investments		**–**	(18)	51
Fair value movements on cash flow hedges		**140**	(10)	2
Deferred tax on fair value movements on cash flow hedges		**(22)**	–	2
Reclassification of cash flow hedges to income statement		**(175)**	–	1
Deferred tax reversed on reclassification of cash flow hedges		**20**	–	–
		(517)	**534**	**708**

Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	34	**(1)**	(149)	603
Fair value movements on equity investments		**180**		
Deferred tax on fair value movements on equity investments		**10**		
Remeasurement gains/(losses) on defined benefit plans		**728**	549	(475)
Tax on remeasurement of defined benefit plans		**(146)**	(221)	126
		771	**179**	**254**
Other comprehensive income for the year	34	**254**	**713**	**962**
Total comprehensive income for the year		**4,300**	**2,882**	**2,024**
Total comprehensive income for the year attributable to:				
Shareholders		**3,878**	2,394	1,271
Non-controlling interests		**422**	488	753
Total comprehensive income for the year		**4,300**	**2,882**	**2,024**

Consolidated balance sheet
as at 31 December 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	17	**11,058**	10,860
Goodwill	18	**5,789**	5,734
Other intangible assets	19	**17,202**	17,562
Investments in associates and joint ventures	20	**236**	183
Other investments	21	**1,322**	918
Deferred tax assets	14	**3,887**	3,796
Derivative financial instruments	42	**69**	8
Other non-current assets	22	**1,576**	1,413
Total non-current assets		**41,139**	**40,474**
Current assets			
Inventories	23	**5,476**	5,557
Current tax recoverable	14	**229**	258
Trade and other receivables	24	**6,423**	6,000
Derivative financial instruments	42	**188**	68
Liquid investments	31	**84**	78
Cash and cash equivalents	25	**3,874**	3,833
Assets held for sale	26	**653**	113
Total current assets		**16,927**	**15,907**
Total assets		**58,066**	**56,381**
Current liabilities			
Short-term borrowings	31	**(5,793)**	(2,825)
Contingent consideration liabilities	39	**(837)**	(1,076)
Trade and other payables	27	**(14,037)**	(20,970)
Derivative financial instruments	42	**(127)**	(74)
Current tax payable	14	**(965)**	(995)
Short-term provisions	29	**(732)**	(629)
Total current liabilities		**(22,491)**	**(26,569)**
Non-current liabilities			
Long-term borrowings	31	**(20,271)**	(14,264)
Corporation tax payable	14	**(272)**	(411)
Deferred tax liabilities	14	**(1,156)**	(1,396)
Pensions and other post-employment benefits	28	**(3,125)**	(3,539)
Other provisions	29	**(691)**	(636)
Derivative financial instruments	42	**(1)**	–
Contingent consideration liabilities	39	**(5,449)**	(5,096)
Other non-current liabilities	30	**(938)**	(981)
Total non-current liabilities		**(31,903)**	**(26,323)**
Total liabilities		**(54,394)**	**(52,892)**
Net assets		**3,672**	**3,489**
Equity			

Share capital	33	**1,345**	1,343
Share premium account	33	**3,091**	3,019
Retained earnings	34	**(2,137)**	(6,477)
Other reserves	34	**2,061**	2,047
Shareholders' equity		**4,360**	**(68)**
Non-controlling interests		**(688)**	**3,557**
Total equity		**3,672**	**3,489**

The financial statements on pages 140 to 218 were approved by the Board on 11 March 2019 and signed on its behalf by

Philip Hampton
Chairman

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Shareholders' equity						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	Non-controlling interests £m	**Total equity £m**
At 1 January 2016	1,340	2,831	(1,397)	2,340	5,114	3,764	**8,878**
Profit for the year	–	–	912	–	912	150	**1,062**
Other comprehensive income for the year	–	–	284	75	359	603	**962**
Total comprehensive income for the year	**–**	**–**	**1,196**	**75**	**1,271**	**753**	**2,024**
Distributions to non-controlling interests	–	–	–	–	–	(534)	**(534)**
Dividends to shareholders	–	–	(4,850)	–	(4,850)	–	**(4,850)**
Recognition of liabilities with non-controlling interests	–	–	(2,013)	–	(2,013)	(159)	**(2,172)**
Derecognition of liabilities with non-controlling interests	–	–	1,244	–	1,244	–	**1,244**
Changes in non-controlling interests	–	–	17	–	17	15	**32**
Shares issued	2	87	–	–	89	–	**89**
Shares acquired by ESOP Trusts	–	36	466	(576)	(74)	–	**(74)**
Write-down of shares held by ESOP Trusts	–	–	(381)	381	–	–	**–**
Share-based incentive plans	–	–	319	–	319	–	**319**
Tax on share-based incentive plans	–	–	7	–	7	–	**7**
At 31 December 2016	1,342	2,954	(5,392)	2,220	1,124	3,839	**4,963**
Profit for the year	–	–	1,532	–	1,532	637	**2,169**
Other comprehensive income for the year	–	–	899	(37)	862	(149)	**713**
Total comprehensive income for the year	**–**	**–**	**2,431**	**(37)**	**2,394**	**488**	**2,882**
Distributions to non-controlling interests	–	–	–	–	–	(789)	**(789)**
Contribution from non-controlling interests	–	–	–	–	–	21	**21**
Dividends to shareholders	–	–	(3,906)	–	(3,906)	–	**(3,906)**
Changes in non-controlling interests	–	–	–	–	–	(2)	**(2)**
Shares issued	1	55	–	–	56	–	**56**
Shares acquired by ESOP Trusts	–	10	581	(656)	(65)	–	**(65)**
Write-down of shares held by ESOP Trusts	–	–	(520)	520	–	–	**–**
Share-based incentive plans	–	–	333	–	333	–	**333**
Tax on share-based incentive plans	–	–	(4)	–	(4)	–	**(4)**
At 31 December 2017	1,343	3,019	(6,477)	2,047	(68)	3,557	**3,489**
Implementation of IFRS 15	–	–	(4)	–	(4)	–	**(4)**
Implementation of IFRS 9	–	–	277	(288)	(11)	–	**(11)**
At 31 December 2017, as adjusted	1,343	3,019	(6,204)	1,759	(83)	3,557	**3,474**
Profit for the year	–	–	3,623	–	3,623	423	**4,046**
Other comprehensive income for the year	–	–	124	131	255	(1)	**254**
Total comprehensive income for the year	**–**	**–**	**3,747**	131	**3,878**	**422**	**4,300**
Distributions to non-controlling interests	–	–	–	–	–	(570)	**(570)**
Contribution from non-controlling interests	–	–	–	–	–	21	**21**
Derecognition of non-controlling interests in Consumer Healthcare Joint Venture	–	–	4,056	–	4,056	(4,118)	**(62)**
Dividends to shareholders	–	–	(3,927)	–	(3,927)	–	**(3,927)**
Realised profits on disposal of equity investments	–	–	56	(56)	–	–	**–**
Share of associates and joint ventures realised profits on disposal of equity investments	–	–	38	(38)	–	–	**–**

Shares issued	2	72	–	–	74	–	**74**
Write-down of shares held by ESOP Trusts	–	–	(265)	265	–	–	**–**
Share-based incentive plans	–	–	360	–	360	–	**360**
Tax on share-based incentive plans	–	–	2	–	2	–	**2**
At 31 December 2018	**1,345**	**3,091**	**(2,137)**	**2,061**	**4,360**	**(688)**	**3,672**

Consolidated cash flow statement
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m	2016 £m
Cash flow from operating activities				
Profit after taxation for the year		**4,046**	2,169	1,062
Adjustments reconciling profit after tax to operating cash flows	36	**5,701**	6,089	7,044
Cash generated from operations		**9,747**	8,258	8,106
Taxation paid		**(1,326)**	(1,340)	(1,609)
Net cash inflow from operating activities		**8,421**	**6,918**	**6,497**
Cash flow from investing activities				
Purchase of property, plant and equipment		**(1,344)**	(1,545)	(1,543)
Proceeds from sale of property, plant and equipment		**168**	281	98
Purchase of intangible assets		**(452)**	(657)	(809)
Proceeds from sale of intangible assets		**256**	48	283
Purchase of equity investments		**(309)**	(80)	(96)
Proceeds from sale of equity investments		**151**	64	683
Contingent consideration paid		**(153)**	(91)	(73)
Purchase of businesses, net of cash acquired	38	**–**	–	17
Disposal of businesses	38	**26**	282	72
Investments in associates and joint ventures	20	**(10)**	(15)	(11)
Proceeds from disposal of interests in associates	38	**3**	196	–
Decrease in liquid investments		**–**	4	–
Interest received		**72**	64	68
Dividends from associates, joint ventures and equity investments		**39**	6	42
Net cash outflow from investing activities		**(1,553)**	**(1,443)**	**(1,269)**
Cash flow from financing activities				
Shares acquired by ESOP Trusts		**–**	(65)	(74)
Issue of share capital	33	**74**	56	89
Purchase of non-controlling interests		**(9,320)**	(29)	–
Increase in long-term loans		**10,138**	2,233	–
Repayment of short-term Notes		**(2,067)**	(2,636)	(865)
Increase in/(repayment of) other short-term loans		**81**	(564)	1,013
Net repayment of obligations under finance leases		**(28)**	(23)	(18)
Interest paid		**(766)**	(781)	(732)
Dividends paid to shareholders		**(3,927)**	(3,906)	(4,850)
Distributions to non-controlling interests		**(570)**	(779)	(534)
Contributions from non-controlling interests		**21**	21	–
Other financing cash flows		**(25)**	93	(421)
Net cash outflow from financing activities		**(6,389)**	**(6,380)**	**(6,392)**
Increase/(decrease) in cash and bank overdrafts	37	**479**	**(905)**	**(1,164)**
Cash and bank overdrafts at beginning of year		**3,600**	4,605	5,486
Exchange adjustments		**8**	(100)	283
Increase/(decrease) in cash and bank overdrafts		**479**	(905)	(1,164)
Cash and bank overdrafts at end of year		**4,087**	**3,600**	**4,605**

Cash and bank overdrafts at end of year comprise:			
Cash and cash equivalents	**3,874**	3,833	4,897
Cash and cash equivalents reported in assets held for sale	**485**	–	–
	4,359	3,833	4,897
Overdrafts	**(272)**	(233)	(292)
	4,087	**3,600**	**4,605**

Notes to the financial statements

1. Presentation of the financial statements

Description of business

GSK is a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, vaccines, over-the-counter (OTC) medicines and health-related consumer products. GSK's principal pharmaceutical products include medicines in the following therapeutic areas: respiratory, HIV, immuno-inflammation, anti-virals, central nervous system, cardiovascular and urogenital, metabolic, anti-bacterials and dermatology.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union.

The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board.

Composition of financial statements

The consolidated financial statements are drawn up in Sterling, the functional currency of GlaxoSmithKline plc, and in accordance with IFRS accounting presentation. The financial statements comprise:

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the financial statements.

Composition of the Group

A list of the subsidiaries and associates which, in the opinion of the Directors, principally affected the amount of profit or net assets of the Group is given in Note 44, 'Principal Group companies'.

Financial period

These financial statements cover the financial year from 1 January to 31 December 2018, with comparative figures for the financial years from 1 January to 31 December 2017 and, where appropriate, from 1 January to 31 December 2016.

Accounting principles and policies

The financial statements have been prepared using the historical cost convention modified by the revaluation of certain items, as stated in the accounting policies, and on a going concern basis.

Implementation of IFRS 9 'Financial instruments'

The Group has applied IFRS 9 'Financial instruments' with effect from 1 January 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairments for financial assets and general hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below. The Group has adopted IFRS 9 retrospectively but with certain permitted exceptions as detailed below.

Classification and measurement of financial assets
The date of initial application was 1 January 2018. The Group has not applied the requirements of IFRS 9 to instruments that were derecognised prior to 1 January 2018 and has not restated prior years. Any difference between the previous carrying amount and the revised carrying amount at 1 January 2018 has been recognised as an adjustment to opening retained earnings at 1 January 2018.

All financial assets that are within the scope of IFRS 9 are required to be measured at amortised cost or fair value, with movements through other comprehensive income or the income statement on the basis of GSK's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IFRS 9 had the following impact on the Group's assets:

- The Group has elected to recognise movements in the fair value of equity investments in other comprehensive income under IFRS 9. Investments in equity instruments that were previously classified as available-for-sale financial assets measured at fair value have been designated as measured at fair value through other comprehensive income (FVTOCI) under IFRS 9. As a result, fair value movements are now recorded in other comprehensive income along with gains or losses on disposal of the investments.
- The Group's investments in limited life funds included in Other investments that were previously classified as available-for-sale financial assets under IAS 39 and measured at fair value have been classified as measured at fair value through profit or loss (FVTPL) under IFRS 9 as the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.
- Liquid investments that were classified as available-for-sale financial assets measured at fair value under IAS 39 have been classified as measured at amortised cost under IFRS 9 as they are held within a business model, the objective of which is to collect the contractual cash flows.

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

– Investments in money market funds included in Cash and cash equivalents that were classified as amortised cost financial assets under IAS 39 have been classified as FVTPL under IFRS 9 as the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.

– The Group's trade receivables were all classified as financial assets measured at amortised cost under IAS 39. Under IFRS 9, the business model under which each portfolio of trade receivables held has been assessed. The Group has portfolios in each of the three business models under IFRS 9: to collect the contractual cash flows (measured at amortised cost), to sell the contractual cash flows (measured at FVTPL), and both to collect and to sell the contractual cash flows (measured at FVTOCI).

1. Presentation of the financial statements continued

– Amounts receivable under insurance contracts included in Other non-current assets were held at FVTPL or amortised cost under IAS 39. Under IFRS 9, as the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, the amounts receivable are classified as measured at FVTPL.

There were no material changes in carrying value of financial assets as a result of these changes in measurement basis.

Impairment of financial assets
IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The expected credit loss model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

12-month ECLs are applied to all financial assets not measured at FVTPL except for net trade receivables which are measured reflecting lifetime ECLs using the simplified approach. An additional ECL allowance of £15 million for trade receivables was recognised on transition to IFRS 9. There were no other transition adjustments arising from the change in impairment basis.

The additional ECL allowance of £15 million at 1 January 2018 has been recognised against opening retained earnings, together with a related deferred tax impact of £3 million.

General hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting which were available under IAS 39: fair value hedges, cash flow hedges and net investment hedges. However, the effectiveness testing requirements have been simplified.

The Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application of 1 January 2018. All existing hedging relationships are eligible, and continued to be effective, under IFRS 9.

Implementation of IFRS 15 'Revenue from contracts with customers'

The Group has applied IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2018. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

GSK adopted IFRS 15 applying the modified retrospective approach. IFRS 15 did not have a material impact on the amount or timing of recognition of reported revenue. At 1 January 2018, a cumulative adjustment to decrease retained earnings of £4 million was

Impact of new standards on each financial statement line item

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 9 and IFRS 15 at 1 January 2018.

	As previously reported £m	IFRS 9 adjustments £m	IFRS 15 adjustments £m	As restated £m
Trade and other receivables	6,000	(15)	–	5,985
Liquid investments	78	1	–	79
Other payables - returns and rebates	(3,463)	–	(29)	(3,492)
Other payables - deferred income	(240)	–	27	(213)
Deferred tax assets	3,796	3	(2)	3,797
Total effect on net assets	3,489	(11)	(4)	3,474
Fair value reserve	329	(288)	–	41
Retained earnings	(6,477)	277	(4)	(6,204)
Total effect on equity	3,489	(11)	(4)	3,474

The £288 million transfer between retained earnings and the fair value reserve resulted from the reclassification of previous impairment losses on equity investments now designated as measured at FVTOCI under IFRS 9 from retained earnings to the fair value reserve.

The application of IFRS 9 and IFRS 15 has had no impact on the consolidated cash flows of the Group.

Parent company financial statements

The financial statements of the parent company, GlaxoSmithKline plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The company balance sheet is presented on page 219 and the accounting policies are given on page 220.

recognised. In accordance with the requirements of IFRS 15 where the modified retrospective approach is adopted, prior year results have not been restated.

Notes to the financial statements continued

2. Accounting principles and policies

Consolidation

The consolidated financial statements include:

– the assets and liabilities, and the results and cash flows, of the company and its subsidiaries, including ESOP Trusts

– the Group's share of the results and net assets of associates and joint ventures

– the Group's share of assets, liabilities, revenue and expenses of joint operations.

The financial statements of entities consolidated are made up to 31 December each year.

Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies, are accounted for as subsidiaries.

Where the Group has the ability to exercise joint control over, and rights to the net assets of, entities, the entities are accounted for as joint ventures. Where the Group has the ability to exercise joint control over an arrangement, but has rights to specified assets and obligations for specified liabilities of the arrangement, the arrangement is accounted for as a joint operation. Where the Group has the ability to exercise significant influence over entities, they are accounted for as associates. The results and assets and liabilities of associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. The Group's rights to assets, liabilities, revenue and expenses of joint operations are included in the consolidated financial statements in accordance with those rights and obligations.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group. The relevant proportion of profits on transactions with joint ventures, joint operations and associates is also deferred until the products are sold to third parties. Transactions with non-controlling interests are recorded directly in equity. Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of acquisition are charged to the income statement in the period in which they are incurred.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates. Goodwill is denominated in the currency of the operation acquired.

Where the cost of acquisition is below the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Where not all of the equity of a subsidiary is acquired the non-controlling interest is recognised either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis. Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group company at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement.

On consolidation, assets and liabilities, including related goodwill, of overseas subsidiaries, associates and joint ventures, are translated into Sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries, associates and joint ventures are translated into Sterling using average rates of exchange.

Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries, associates and joint ventures are translated into Sterling, less exchange differences arising on related foreign currency borrowings which hedge the Group's net investment in these operations, are taken to a separate component of equity.

When translating into Sterling the assets, liabilities, results and cash flows of overseas subsidiaries, associates and joint ventures which are reported in currencies of hyper-inflationary economies, adjustments are made where material to reflect current price levels. Any loss on net monetary assets is charged to the consolidated income statement.

Revenue (applicable from 1 January 2018)

The Group receives revenue for supply of goods to external customers against orders received. The majority of contracts that GSK enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical, vaccine and consumer healthcare products. The average duration of a sales order is less than 12 months.

The fair value of contingent consideration liabilities are re-assessed at each balance sheet date with changes recognised in the income statement. Payments of contingent consideration reduce the balance sheet liability and as a result are not recorded in the income statement.

The part of each payment relating to the original estimate of the fair value of the contingent consideration on acquisition is reported within investing activities in the cash flow statement and the part of each payment relating to the increase in the liability since the acquisition date is reported within operating cash flows.

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

2. Accounting principles and policies continued

The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

GSK enters into development and marketing collaborations and out-licences of the Group's compounds or products to other parties. These contracts give rise to fixed and variable consideration from upfront payments, development milestones, sales-based milestones and royalties.

Income dependent on the achievement of a development milestone is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, which is usually when the related event occurs. Sales-based milestone income is recognised when it is highly probable that the sales threshold will be reached.

Sales-based royalties on a licence of intellectual property are not recognised until the relevant product sale occurs.

If the time between the recognition of revenue and payment from the customer is expected to be more than one year and the impact is material, the amount of consideration is discounted using appropriate discount rates.

Value added tax and other sales taxes are excluded from revenue.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred. Advertising and promotion expenditure is charged to the income statement as incurred. Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in selling, general and administrative expenditure.

Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken.

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant

Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate.

The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings.

In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Group against third parties are charged to the income statement as they are incurred.

Pensions and other post-employment benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries. Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high-quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries.

Actuarial gains and losses and the effect of changes in actuarial assumptions, are recognised in the statement of comprehensive income in the year in which they arise.

The Group's contributions to defined contribution plans are charged to the income statement as incurred.

Employee share plans

Incentives in the form of shares are provided to employees under share option and share award schemes.

The fair values of these options and awards are calculated at their grant dates using a Black-Scholes option pricing model and charged to the income statement over the relevant vesting periods.

and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to the income statement. The Group recognises its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

The Group provides finance to ESOP Trusts to purchase company shares to meet the obligation to provide shares when employees exercise their options or awards. Costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise.

Notes to the financial statements continued

2. Accounting principles and policies continued

Property, plant and equipment

Property, plant and equipment (PP&E) is stated at the cost of purchase or construction, less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost less residual value of PP&E, excluding freehold land, using the straight-line basis over the expected useful life. Residual values and lives are reviewed, and where appropriate adjusted annually. The normal expected useful lives of the major categories of PP&E are:

Freehold buildings	20 to 50 years
Leasehold land and buildings	Lease term or 20 to 50 years
Plant and machinery	10 to 20 years
Equipment and vehicles	3 to 10 years

On disposal of PP&E, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

Leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in PP&E or computer software and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term, if shorter. The interest element of the lease rental is included in the income statement. All other leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term.

Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, this excess is recognised immediately as a gain in the income statement.

Other intangible assets

Intangible assets are stated at cost less provisions for amortisation and impairments.

Licences, patents, know-how and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use.

Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

Acquired brands are valued independently as part of the fair value of businesses acquired from third parties where the brand has a value which is substantial and long term and where the brands either are contractual or legal in nature or can be sold separately from the rest of the businesses acquired. Brands are amortised over their estimated useful lives of up to 20 years, except where it is considered that the useful economic life is indefinite.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

Impairment of non-current assets

The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

Investments in associates, joint ventures and joint operations

Investments in associates and joint ventures are carried in the consolidated balance sheet at the Group's share of their net assets at date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition. The Group recognises its rights to assets, liabilities, revenue and expenses of joint operations.

Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments.

The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually.

Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realisable value. Cost is generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

2. Accounting principles and policies continued

Financial instruments (applicable from 1 January 2018)

Financial assets
Financial assets are measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For financial assets other than trade receivables a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. If there is subsequent evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off.

Other investments
Other investments comprise equity investments and investments in limited life funds. The Group has elected to designate equity investments as measured at FVTOCI. They are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in other comprehensive income.

On disposal of the equity investment, gains and losses that have been deferred in other comprehensive Income are transferred directly to retained earnings. Investments in limited life funds are measured at FVTPL. They are initially recorded at fair value and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised in the income statement.

Dividends on equity investments and distributions from funds are recognised in the income statement when the Group's right to receive payment is established.

Purchases and sales of Other investments are accounted for on the trade date.

Trade receivables
Trade receivables are measured in accordance with the business model under which each portfolio of trade receivables is held. The Group has portfolios in each of the three business models under IFRS 9: to collect the contractual cash flows (measured at amortised cost), to sell the contractual cash flows (measured at FVTPL), and both to collect and to sell the contractual cash flows (measured at FVTOCI). Trade receivables measured at amortised cost are carried at the original invoice amount less allowances for expected credit losses.

Expected credit losses are calculated in accordance with the simplified approach permitted by IFRS 9, using a provision matrix applying lifetime historical credit loss experience to the trade receivables. The expected credit loss rate varies depending on whether and the extent to which settlement of the trade receivables is overdue and it is also adjusted as appropriate to reflect current economic conditions and estimates of future conditions. For the

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Derivative financial instruments
Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial assets and liabilities, including derivatives embedded in host contracts which have been separated from the host contract, are classified as held-for-trading and are measured at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Hedge accounting
Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Net investment hedges are accounted for in a similar way to cash flow hedges.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Taxation

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

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be

purpose of determining credit loss rates, customers are classified into groupings that have similar loss patterns. The key drivers of the loss rate are the nature of the business unit and the location and type of customer.

When a trade receivable is determined to have no reasonable expectation of recovery it is written off, firstly against any expected credit loss allowance available and then to the income statement.

Subsequent recoveries of amounts previously provided for or written off are credited to the income statement. Long-term receivables are discounted where the effect is material.

Cash and cash equivalents
Cash held in deposit accounts is measured at amortised cost. Investments in money market funds are held at fair value through profit or loss.

controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Where an uncertain tax position is identified, management will make a judgement as to what the probable outcome will be. Where it is assessed that an economic outflow is probable to arise a provision is made for the best estimate of the liability. In estimating any such liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice.

Notes to the financial statements continued

2. Accounting principles and policies continued

Discounting

Where the time value of money is material, balances are discounted to current values using appropriate discount rates. The unwinding of the discounts is recorded in finance income and finance expense.

Revenue (applicable up to 31 December 2017)

Revenue is recognised in the income statement when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Value added tax and other sales taxes are excluded from revenue.

Where the Group co-promotes a product and the counterparty records the sale, the Group records its share of revenue as co-promotion income within turnover. The nature of co-promotion activities is such that the Group records no costs of sales. In addition, initial or event-based milestone income (excluding royalty income) arising on development or marketing collaborations of the Group's compounds or products with other parties is recognised in turnover.

Royalty income is recognised on an accruals basis in accordance with the terms of the relevant licensing agreements.

Financial instruments (applicable up to 31 December 2017)

Available-for-sale investments
Liquid investments and other investments are classified as available-for-sale investments and are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income. Impairments arising from the significant or prolonged decline in fair value of an equity investment reduce the carrying amount of the asset directly and are charged to the income statement.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the income statement when the Group's right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Trade receivables
Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Derivative financial instruments and hedging
Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are classified as held-for-trading and are carried in the balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Net investment hedges are accounted for in a similar way to cash flow hedges.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

3. Key accounting judgements and estimates

In preparing the financial statements, management is required to make judgements about when or how items should be recognised in the financial statements and estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting judgements and key sources of estimation uncertainty.

Turnover

Reported Group turnover for 2018 was £30,821 million (2017 – £30,186 million).

Estimates

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The amount of turnover recognised in the year from performance obligations satisfied in previous periods is set out in Note 6, ‘Turnover and segment information’.

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Taxation

The tax charge for the year was £754 million (2017 – £1,356 million). At December 2018, current tax payable was £965 million (2017 – £995 million), non-current corporation tax payable was £272 million (2017 – £411 million) and current tax recoverable was £229 million (2017 – £258 million).

Judgement

The Group has open tax issues with a number of revenue authorities. Management makes a judgement of whether there is sufficient

Estimates

If sufficient information is available, in estimating a potential tax liability GSK applies a risk-based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge.

At 31 December 2018, the Group had recognised provisions of £1,082 million in respect of uncertain tax positions (2017 – £1,175 million). Because of the nature of these uncertain positions, it is not practicable to give meaningful sensitivity estimates.

Factors affecting the tax charge in future years are set out in Note 14, ‘Taxation’. GSK continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. Where open issues exist the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Legal and other disputes

Legal costs for the year were £117 million (2017 – £166 million). At 31 December 2018 provisions for legal and other disputes amounted to £219 million (2017 – £186 million).

Judgement

Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the likely outcome of the dispute and legal and other expenses arising from claims against the Group. If insufficient information is available, no provision is made and disclosure of the claim is given.

Estimates

The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge. Details of the status and various uncertainties involved in the significant unresolved disputes are set out in Note 45, ‘Legal proceedings’.

The company’s Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could

information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made.

result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be provided, but no provision would be made and no contingent liability can be quantified.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Group's financial statements by a material amount.

Notes to the financial statements continued

3. Key accounting judgements and estimates continued

Contingent consideration and put option liabilities

The 2018 income statement charge for contingent consideration and put option liabilities was £1,851 million (2017 – £2,134 million).

At 31 December 2018, the liability for contingent consideration amounted to £6,286 million (2017 – £6,172 million). Of this amount, £5,937 million (2017 – £5,542 million) related to the acquisition of the former Shionogi-ViiV Healthcare joint venture in 2012 and £296 million (2017 – £584 million) related to the acquisition of the Vaccines business from Novartis in 2015.

Estimates
Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate post-tax discount rates. The fair values are reviewed on a regular basis, at least annually, and any changes are reflected in the income statement. See Note 39, 'Contingent consideration liabilities'.

In June 2018, GSK acquired Novartis' shareholding in the Consumer Healthcare Joint Venture for $13 billion. This resulted in a net charge in the period of £658 million to remeasure the Consumer Healthcare Joint Venture put option to the agreed valuation.

Pfizer may request an IPO of ViiV Healthcare at any time and if either GSK does not consent to such IPO or an offering is not completed within nine months, Pfizer could require GSK to acquire its shareholding. The liability for the Pfizer put option, which is derived from an internal valuation of the ViiV Healthcare business, utilising both discounted forecast future cash flow and multiples-based methodologies amounted to £1,240 million at 31 December 2018 (2017 – £1,304 million). Sensitivity analysis is given in Note 27, 'Trade and other payables'.

Pensions and other post-employment benefits

Judgement
Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. Four UK schemes are in surplus, with a combined surplus of £711 million at 31 December 2018 (2017 – £470 million). GSK has made the judgement that these amounts meet the requirements of recoverability.

Estimates
The costs of providing pensions and other post-employment benefits are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 28, 'Pensions and other post-employment benefits'.

Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. A sensitivity analysis is provided in Note 28, 'Pensions and other post-employment benefits', but a 0.25% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £707 million and an increase in the annual pension cost of approximately £28 million. The selection of different assumptions could affect the future results of the Group.

4. New accounting requirements

The following new and amended accounting standards have been issued by the IASB and are likely to affect future Annual Reports.

IFRS 16 'Leases' was issued in January 2016 and will be implemented by the Group from 1 January 2019. The Standard will replace IAS 17 'Leases' and will require lease liabilities and 'right of use' assets to be recognised on the balance sheet for almost all leases. This is expected to result in a significant increase in both assets and liabilities recognised. The costs of operating leases currently included within operating costs will be split and the financing element of the charge will be reported within finance expense. The overall impact on earnings is not expected to be material. Finance lease obligations at 31 December 2018 are set out in Note 31, 'Net debt' and the undiscounted commitments under non-cancellable operating leases are set out in Note 41, 'Commitments'.

GSK will implement IFRS 16 applying the modified retrospective approach. For larger leases, the right of use asset at 1 January 2019 will be calculated based on the original lease inception date and for smaller leases the right of use asset will be set equal to the lease liability, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination fair value adjustments. On the transition date of 1 January 2019, the Group expects to recognise right of use assets of £1.1 billion and a lease liability of £1.3 billion, including existing finance leases. The implementation is expected to reduce net assets and total equity by £0.1 billion.

5. Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, joint ventures and associates into Sterling and period end rates to translate the net assets of those entities. The currencies which most influence these translations and the relevant exchange rates were:

	2018	2017	2016
Average rates:			
US$/£	**1.33**	1.30	1.36
Euro/£	**1.13**	1.15	1.23
Yen/£	**147**	145	149

	2018	2017	2016
Period end rates:			
US$/£	**1.27**	1.35	1.24
Euro/£	**1.11**	1.13	1.17
Yen/£	**140**	152	144

6. Turnover and segment information

Operating segments are reported based on the financial information provided to the Chief Executive Officer and the responsibilities of the Corporate Executive Team (CET). GSK reports results under four segments: Pharmaceuticals; Pharmaceuticals R&D; Vaccines and Consumer Healthcare, and individual members of the CET are responsible for each segment.

The Group's management reporting process allocates intra-Group profit on a product sale to the market in which that sale is recorded, and the profit analyses below have been presented on that basis.

Corporate and other unallocated costs included the costs of corporate functions.

Revenue recognised in the year from performance obligations satisfied in previous periods totalled £426 million and included £122 million reported in turnover arising from changes to prior year estimates of RAR accruals and £299 million of royalty income.

Turnover by segment	**2018 £m**	2017 £m	2016 £m
Pharmaceuticals	**17,269**	17,276	16,104
Vaccines	**5,894**	5,160	4,592
Consumer Healthcare	**7,658**	7,750	7,193
	30,821	30,186	27,889

Pharmaceuticals turnover by therapeutic area	**2018 £m**	2017 £m	2016 £m
Respiratory	**6,928**	6,991	6,510
HIV	**4,722**	4,350	3,556
Immuno-inflammation	**472**	377	340
Established Pharmaceuticals	**5,147**	5,558	5,698
	17,269	17,276	16,104

Vaccines turnover by category	**2018 £m**	2017 £m	2016 £m
Meningitis	**881**	890	662
Influenza	**523**	488	414
Shingles	**784**	22	–
Established Vaccines	**3,706**	3,760	3,516

5,894	5,160	4,592

During 2018, the US operations of the Pharmaceuticals and Vaccines businesses made sales to three wholesalers of approximately £2,709 million (2017 – £2,449 million; 2016 – £2,139 million), £2,962 million (2017 – £3,043 million; 2016 – £2,691 million) and £2,656 million (2017 – £2,356 million; 2016 – £2,129 million) respectively, after allocating final-customer discounts to the wholesalers.

Consumer Healthcare turnover by category	**2018 £m**	2017 £m	2016 £m
Wellness	**3,940**	4,001	3,726
Oral care	**2,496**	2,466	2,223
Nutrition	**643**	680	674
Skin health	**579**	603	570
	7,658	7,750	7,193

Notes to the financial statements continued

6. Turnover and segment information continued

Segment profit	2018 £m	2017 £m	2016 £m
Pharmaceuticals	**8,420**	8,667	7,976
Pharmaceuticals R&D	**(2,676)**	(2,740)	(2,488)
Pharmaceuticals, including R&D	**5,744**	5,927	5,488
Vaccines	**1,943**	1,644	1,429
Consumer Healthcare	**1,517**	1,373	1,116
Segment profit	**9,204**	8,944	8,033
Corporate and other unallocated costs	**(459)**	(376)	(362)
Other reconciling items between segment profit and operating profit	**(3,262)**	(4,481)	(5,073)
Operating profit	**5,483**	4,087	2,598
Finance income	**81**	65	72
Finance costs	**(798)**	(734)	(736)
Profit on disposal of interest in associates	**3**	94	–
Share of after tax profits of associates and joint ventures	**31**	13	5
Profit before taxation	**4,800**	3,525	1,939
Taxation	**(754)**	(1,356)	(877)
Profit after taxation for the year	**4,046**	2,169	1,062

Other reconciling items between segment profit and operating profit comprise items not specifically allocated to segment profit. These include impairment and amortisation of intangible assets; major restructuring costs, which include impairments of tangible assets and computer software; transaction-related adjustments related to significant acquisitions; proceeds and costs of disposals of associates, products and businesses, significant legal charges and expenses on the settlement of litigation and government investigations, other operating income other than royalty income and other items, and the pre-tax impact of the enactment of the US Tax Cuts and Jobs Act.

Depreciation and amortisation by segment	2018 £m	2017 £m	2016 £m
Pharmaceuticals	**506**	551	440
Pharmaceuticals R&D	**123**	96	211
Pharmaceuticals, including R&D	**629**	647	651
Vaccines	**395**	405	315
Consumer Healthcare	**146**	135	126
Segment depreciation and amortisation	**1,170**	1,187	1,092
Corporate and other unallocated depreciation and amortisation	**106**	144	94
Other reconciling items between segment depreciation and amortisation and total depreciation and amortisation	**580**	591	588
Total depreciation and amortisation	**1,856**	1,922	1,774

6. Turnover and segment information continued

PP&E, intangible asset and goodwill impairment by segment	2018 £m	2017 £m	2016 £m
Pharmaceuticals	**51**	38	29
Pharmaceuticals R&D	**15**	10	88
Pharmaceuticals, including R&D	**66**	48	117
Vaccines	**5**	13	34
Consumer Healthcare	**4**	10	46
Segment impairment	**75**	71	197
Corporate and other unallocated impairment	**14**	3	24
Other reconciling items between segment impairment and total impairment	**261**	995	68
Total impairment	**350**	1,069	289

PP&E and intangible asset impairment reversals by segment			
Pharmaceuticals	**(4)**	(13)	(15)
Pharmaceuticals R&D	**(1)**	(2)	(10)
Pharmaceuticals, including R&D	**(5)**	(15)	(25)
Vaccines	**–**	–	(19)
Consumer Healthcare	**–**	(1)	(8)
Segment impairment reversals	**(5)**	(16)	(52)
Corporate and other unallocated impairment reversals	**–**	–	(26)
Other reconciling items between segment impairment reversals and total impairment reversals	**(8)**	(36)	(9)
Total impairment reversals	**(13)**	(52)	(87)

Net assets by segment	2018 £m	2017 £m
Pharmaceuticals	**869**	2,017
Pharmaceuticals R&D	**502**	522
Pharmaceuticals, including R&D	**1,371**	2,539
Vaccines	**9,966**	9,707
Consumer Healthcare	**10,559**	2,003
Segment net operating assets	**21,896**	14,249
Corporate and other unallocated net operating assets	**1,141**	868
Net operating assets	**23,037**	15,117
Net debt	**(21,621)**	(13,178)
Investments in associates and joint ventures	**236**	183
Derivative financial instruments	**129**	2
Current and deferred taxation	**1,723**	1,252
Assets held for sale (excluding cash and cash equivalents)	**168**	113
Net assets	**3,672**	3,489

The Pharmaceuticals segment includes the Shionogi-ViiV Healthcare contingent consideration liability of £5,937 million (2017 – £5,542 million) and the Pfizer put option of £1,240 million (2017 – £1,304 million). The put option liability (2017 – £8,606 million) related to the Consumer Healthcare segment was extinguished during 2018.

Notes to the financial statements continued

6. Turnover and segment information continued

Geographical information
The UK is regarded as being the Group's country of domicile.

Turnover by location of customer	2018 £m	2017 £m	2016 £m
UK	**923**	940	1,056
US	**11,982**	11,263	10,197
Rest of World	**17,916**	17,983	16,636
External turnover	**30,821**	30,186	27,889

Non-current assets by location of subsidiary	2018 £m	2017 £m
UK	**6,118**	6,824
US	**7,540**	6,841
Rest of World	**20,768**	20,901
Non-current assets	**34,426**	34,566

Non-current assets by location excludes amounts relating to other investments, deferred tax assets, derivative financial instruments, pension assets, amounts receivable under insurance contracts and certain other non-current receivables.

7. Other operating income/(expense)

	2018 £m	2017 £m	2016 £m
Fair value remeasurements of equity investments under IFRS 9	**16**		
Disposal of businesses and assets	**258**	195	283
Fair value remeasurements on contingent consideration recognised in business combinations	**(1,252)**	(1,012)	(2,205)
Remeasurement of ViiV Healthcare put option liabilities and preferential dividends	**58**	13	(577)
Remeasurement of Consumer Healthcare put option liability	**(658)**	(1,186)	(1,133)
Fair value adjustments on derivative financial instruments	**(3)**	9	(3)
Other (expense)/income	**(7)**	9	23
Impairment of available-for-sale equity investments under IAS 39		(30)	(47)
Disposal of available-for-sale equity investments under IAS 39		37	254
	(1,588)	(1,965)	(3,405)

Disposal of businesses and assets in 2018 included a profit of £119 million on the disposal of tapinarof to Dermavant Sciences, a profit of £33 million on the disposal of Consumer Healthcare tail brands in the US and a gain arising from the increase in value of the shares in Hindustan Unilever Limited to be received on the disposal of *Horlicks* and other Consumer Healthcare brands, which is expected to complete by the end of 2019, net of disposal costs.

Fair value remeasurements on contingent consideration recognised in business combinations included £1,188 million related to the acquisition of the former Shionogi-ViiV Healthcare joint venture and £56 million payable to Novartis related to the Vaccines acquisition and fair value movements on derivatives hedging foreign exchange exposure.

8. Operating profit

The following items have been included in operating profit:	2018 £m	2017 £m	2016 £m
Employee costs (Note 9)	**9,440**	9,122	8,212
Advertising	**1,376**	1,351	1,265
Distribution costs	**389**	405	395
Depreciation of property, plant and equipment	**954**	988	978
Impairment of property, plant and equipment, net of reversals	**203**	327	180
Amortisation of intangible assets	**902**	934	796
Impairment of intangible assets, net of reversals	**134**	690	22
Net foreign exchange losses	**81**	215	53
Inventories:			
Cost of inventories included in cost of sales	**8,713**	8,526	8,093
Write-down of inventories	**695**	701	533
Reversal of prior year write-down of inventories	**(302)**	(352)	(145)
Operating lease rentals:			
Minimum lease payments	**188**	110	91
Contingent rents	**12**	4	4
Sub-lease payments	**5**	5	4
Fees payable to the company's auditor and its associates in relation to the Group (see below)	**29.8**	29.2	29.7

The reversals of prior year write-downs of inventories principally arise from the reassessment of usage or demand expectations prior to inventory expiration.

Net foreign exchange losses include a net loss of £nil (2017 – £109 million; 2016 – £nil) of exchange arising on the reclassification of exchange on liquidation or disposal of overseas subsidiaries.

Included within operating profit are major restructuring charges of £809 million (2017 – £1,056 million; 2016 – £970 million), see Note 10, 'Major restructuring costs'.

Fees payable to the company's auditor and its associates:	2018 £m	2017 £m	2016 £m
Audit of parent company and consolidated financial statements	**6.7**	7.0	5.8
Audit of the company's subsidiaries	**12.9**	16.2	16.4
Attestation under s.404 of Sarbanes-Oxley Act 2002	**6.6**	4.5	4.4
Audit and audit-related services	**26.2**	27.7	26.6
Taxation compliance	**0.1**	0.2	0.2
Taxation advice	**–**	0.1	1.8
Other assurance services	**3.0**	1.0	0.3
All other services	**0.5**	0.2	0.8
	29.8	29.2	29.7

The other assurance services provided by the auditor relate to agreed upon procedures and other assurance services outside of statutory audit requirements. All other services provided by the auditor primarily related to advisory services for the year ended 31 December 2018.

In addition to the above, fees paid in respect of the GSK pension schemes were:

	2018 £m	2017 £m	2016 £m
Audit	**0.3**	0.3	0.4
Other services	**–**	0.1	–

Notes to the financial statements continued

9. Employee costs

	2018 £m	2017 £m	2016 £m
Wages and salaries	**7,203**	7,116	6,391
Social security costs	**795**	802	733
Pension and other post-employment costs, including augmentations (Note 28)	**586**	616	541
Cost of share-based incentive plans	**393**	347	338
Severance and other costs from integration and restructuring activities	**463**	241	209
	9,440	9,122	8,212

The increase in wages and salaries included the impact of movements in exchange rates. The Group provides benefits to employees, commensurate with local practice in individual countries, including, in some markets, healthcare insurance, subsidised car schemes and personal life assurance.

The cost of share-based incentive plans is analysed as follows:

	2018 £m	2017 £m	2016 £m
Share Value Plan	**304**	276	271
Performance Share Plan	**49**	47	39
Share option plans	**4**	4	4
Cash settled and other plans	**36**	20	24
	393	347	338

The average monthly number of persons employed by the Group (including Directors) during the year was:

	2018 Number	2017 Number	2016 Number
Manufacturing	**37,296**	38,632	38,611
Selling, general and administration	**47,887**	49,141	49,961
Research and development	**11,668**	11,576	11,255
	96,851	99,349	99,827

The average monthly number of Group employees excludes temporary and contract staff. The numbers of Group employees at the end of each financial year are given in the financial record on page 231. The monthly average number of persons employed by GlaxoSmithKline plc in 2018 was nil (2017 – nil).

The compensation of the Directors and Senior Management (members of the CET) in aggregate, was as follows:

	2018 £m	2017 £m	2016 £m
Wages and salaries	**29**	26	25
Social security costs	**3**	4	4
Pension and other post-employment costs	**3**	3	2
Cost of share-based incentive plans	**20**	22	15
	55	55	46

Further information on the remuneration of the Directors is given in the Remuneration report on pages 96 to 124.

10. Major restructuring costs

Within the Pharmaceuticals sector, the highly regulated manufacturing operations and supply chains and long lifecycle of the business mean that restructuring programmes, particularly those that involve the rationalisation or closure of manufacturing or R&D sites, are likely to take several years to complete.

Major restructuring costs are those related to specific Board approved Major restructuring programmes, including integration costs following material acquisitions, which are structural and are of a significant scale where the costs of individual or related projects exceed £25 million.

The existing Combined restructuring and integration programme incorporates the previous Major Change programme, the Pharmaceuticals restructuring programme and the restructuring and integration programme following the Novartis transaction in 2015. In July 2018, the Board approved a new Major restructuring programme, which is designed to significantly improve the competitiveness and efficiency of the Group’s cost base with savings delivered primarily through supply chain optimisation and reductions in administrative costs.

10. Major restructuring costs continued

The total restructuring costs of £809 million in 2018 were incurred in a number of areas, including the following:

- Restructuring of the commercial operating model, including staff reductions in the US, Europe and International Pharmaceutical commercial operations and the US Respiratory field sales force
- Manufacturing site restructuring, including the GSK steriles manufacturing facility at Ulverston, United Kingdom
- Vaccines transformation and remediation
- Restructuring of the Pharmaceutical and Consumer Healthcare supply chains leading to simplification of the operating model and improved resource allocation
- Transformation of central functions, including GSK technology platforms and interfaces, to deliver greater digital synergies, simplification of applications and staff reductions.

The analysis of the costs charged to operating profit under these programmes was as follows:

	2018 £m	2017 £m	2016 £m
Increase in provision for Major restructuring programmes (see Note 29)	**450**	259	163
Amount of provision reversed unused (see Note 29)	**(99)**	(43)	(140)
Impairment losses recognised	**130**	278	158
Other non-cash charges	**72**	247	108
Other cash costs	**256**	315	681
	809	1,056	970

Asset impairments and other non-cash charges principally comprise fixed asset write-downs across support function, manufacturing and research facilities and accelerated depreciation where asset lives in R&D and manufacturing have been shortened as a result of the major restructuring programmes. All other charges have been or will be settled in cash and include the termination of leases, site closure costs and consultancy and project management fees.

The analysis of Major restructuring charges by income statement line was as follows:

	2018 £m	2017 £m	2016 £m
Cost of sales	**443**	545	297
Selling, general and administration	**315**	248	514
Research and development	**49**	263	159
Other operating income/(expense)	**2**	–	–
	809	1,056	970

11. Finance income

	2018 £m	2017 £m	2016 £m
Year to 31 December 2018 under IFRS 9			
Finance income arising from:			
Financial assets measured at amortised cost	**73**		
Financial assets measured at fair value through profit or loss	**1**		
Net gains arising from hedge ineffectiveness on net investment hedges	**7**		
Years to 31 December 2017 and 31 December 2016 under IAS 39			
Interest income arising from:			

Cash and cash equivalents		60	67
Available-for-sale investments		2	1
Loans and receivables		1	2
Fair value adjustments on derivatives at fair value through profit or loss		2	2
	81	65	72

Interest income arising from financial assets measured at amortised cost in 2018 includes interest income arising from assets which would have been classified as available-for-sale investments and loans and receivables in prior years under IAS 39. This also includes interest income arising from certain cash and cash equivalents. Interest income arising from financial assets measured at fair value through profit or loss in 2018 includes interest income arising from other cash and cash equivalents.

Net gains arising from hedge ineffectiveness on net investment hedges were recorded in ‘Fair value adjustments on derivatives at fair value through profit or loss’ in 2017 and 2016. All derivatives accounted for at fair value through profit or loss other than designated and effective hedging instruments (see Note 42, ‘Financial instruments and related disclosures’) are classified as held-for-trading financial instruments.

Notes to the financial statements continued

12. Finance expense

	2018 £m	2017 £m	2016 £m
Finance expense arising on:			
Financial liabilities at amortised cost	**(677)**	(698)	(671)
Derivatives at fair value through profit or loss	**(38)**	(22)	(30)
Net losses arising from:			
Financial instruments mandatorily measured at fair value through profit or loss	**3**	(4)	(3)
Reclassification of hedges from other comprehensive income	**(2)**	–	(1)
Unwinding of discounts on provisions	**(15)**	(16)	(16)
Other finance expense	**(69)**	6	(15)
	(798)	(734)	(736)

All derivatives accounted for at fair value through profit or loss, other than designated and effective hedging instruments (see Note 42, 'Financial instruments and related disclosures'), are classified as held-for-trading financial instruments. Interest expense arising on derivatives at fair value through profit or loss relates to swap interest expense. Other finance expense in 2018 includes a £39 million charge (2017 – £24 million credit) for interest relating to historical income tax settlements.

13. Associates and joint ventures

The Group's share of after tax profits and losses of associates and joint ventures is set out below:

	2018 £m	2017 £m	2016 £m
Share of after tax profits of associates	**28**	16	9
Share of after tax profits/(losses) of joint ventures	**3**	(3)	(4)
	31	13	5

At 31 December 2018, the Group held one significant associate, Innoviva, Inc.

Summarised income statement information in respect of Innoviva is set out below for the periods in which the Group accounted for its investment in Innoviva as an associate. The Group's 2018 share of after tax profits of associates and other comprehensive income includes a profit of £33 million and other comprehensive income of £nil in respect of Innoviva.

	2018 £m	2017 £m	2016 £m
Turnover	**183**	165	98
Profit after taxation	**134**	103	44
Other comprehensive income	**–**	–	–
Total comprehensive income	**134**	103	44

The results of Innoviva included in the summarised income statement information above represent the estimated earnings of Innoviva in the relevant periods, based on publicly available information. Innoviva's turnover is from royalty income from GSK in relation to *Relvar/Breo Ellipta, Anoro Ellipta and Trelegy Ellipta* sales.

Aggregated financial information in respect of GSK's share of other associated undertakings and joint ventures is set out below:

	2018 £m	2017 £m	2016 £m
Share of turnover	**242**	252	133

Share of after tax (losses)/profits	**(2)**	(5)	(1)
Share of other comprehensive income	**–**	–	–
Share of total comprehensive (expense)/income	**(2)**	(5)	(1)

The Group's sales to associates and joint ventures were £43 million in 2018 (2017 – £41 million; 2016 – £43 million).

14. Taxation

The Group's tax charge is the sum of the total current and deferred tax expense.

Taxation charge based on profits for the year	2018 £m	2017 £m	2016 £m
UK current year charge	**234**	199	241
Rest of World current year charge	**1,426**	1,928	1,326
Credit in respect of prior periods	**(492)**	(508)	(149)
Total current taxation	**1,168**	1,619	1,418
Total deferred taxation	**(414)**	(263)	(541)
Total tax	**754**	1,356	877

In 2018, GSK made payments of £113 million in UK corporation tax to HMRC. These amounts are for UK corporation tax only, and do not include the various other business taxes borne in the UK by GSK each year.

The deferred tax credit in 2018 reflected the origination of current year tax losses, where offset against taxable profits in future periods is probable, as well as an uplift in the tax carrying value of certain Consumer Healthcare brands as a result of the acquisition of Novartis' interest in the former Consumer Healthcare Joint Venture.

The deferred tax credit in 2017 reflected the revaluation of existing deferred tax liabilities to reflect a lower Swiss tax rate applicable following Swiss tax reform, and an increase in deferred tax assets related to intra-Group profit on inventory. The impact of these items was partly offset by the revaluation of existing deferred tax assets to reflect the lower US tax rate applicable following the enactment of US tax reform. In 2016, the net deferred tax credit was impacted to a greater extent by remeasurement of the contingent consideration in relation to the former Shionogi-ViiV Healthcare Joint Venture.

The following table reconciles the tax charge calculated at the UK statutory rate on the Group profit before tax with the actual tax charge for the year.

Reconciliation of taxation on Group profits	2018 £m	2018 %	2017 £m	2017 %	2016 £m	2016 %
Profit before tax	**4,800**		3,525		1,939	
UK statutory rate of taxation	**912**	**19.0**	679	19.25	388	20.0
Differences in overseas taxation rates	**675**	**14.1**	635	18.0	593	30.6
Benefit of intellectual property incentives	**(522)**	**(10.9)**	(458)	(13.0)	(321)	(16.5)
R&D credits	**(73)**	**(1.5)**	(75)	(2.1)	(93)	(4.8)
FV remeasurement of non-taxable put options	**221**	**4.6**	227	6.4	340	17.5
Tax losses where no benefit is recognised	**24**	**0.5**	28	0.8	(15)	(0.8)
Permanent differences on disposals and acquisitions	**(7)**	**(0.1)**	4	0.1	(21)	(1.1)
Other permanent differences	**85**	**1.7**	196	5.6	122	6.3
Re-assessments of prior year estimates	**(436)**	**(9.1)**	(475)	(13.5)	(116)	(6.0)
US and Swiss Tax Reform	**(125)**	**(2.6)**	595	16.9		
Tax charge/tax rate	**754**	**15.7**	1,356	38.5	877	45.2

GSK has a substantial business presence in many countries around the world. The impact of differences in overseas taxation rates arose from profits being earned in countries with tax rates higher than the UK statutory rate, the most significant of which in 2018 were the US, Belgium, India and Japan. The adverse impact was partly offset by the increased benefit of intellectual property incentives such as the UK Patent box and Belgian Patent income deduction regimes. Such regimes provide a reduced rate of corporate income tax on profits earned from qualifying patents.

The Group's 2018 tax rate of 15.7% has been influenced by the reassessment of open issues with tax authorities in various jurisdictions, together with the £125 million credit related to a reduced estimate of the 2017 impact of US Tax Reform following additional guidance being released by

the US tax authorities and the transaction related charges arising on the Group's put option liabilities to ViiV Healthcare and the former Consumer Healthcare Joint Venture with Novartis.

Future tax charges, and therefore the Group's effective tax rate, may be affected by factors such as acquisitions, disposals, restructuring, the location of research and development activity, tax regime reforms and resolution of open matters as tax affairs are brought up to date around the world.

Notes to the financial statements continued

14. Taxation continued

Tax on items charged to equity and statement of comprehensive income	2018 £m	2017 £m	2016 £m
Current taxation			
Share-based payments	**–**	–	7
Defined benefit plans	**(2)**	26	32
	(2)	26	39
Deferred taxation			
Share-based payments	**2**	(4)	–
Defined benefit plans	**(144)**	(247)	94
Fair value movements on cash flow hedges	**(2)**	–	2
Fair value movements on equity investments	**10**	29	51
	(134)	(222)	147
Total (charge)/credit to equity and statement of comprehensive income	**(136)**	(196)	186

All of the above items have been charged to the statement of comprehensive income except for tax on share-based payments.

Issues relating to taxation
The integrated nature of the Group's worldwide operations involves significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets. In line with current OECD guidelines GSK bases its transfer pricing policy on the 'arm's length' principle. However, different tax authorities may seek to attribute further profit to activities being undertaken in their jurisdiction potentially resulting in double taxation. The Group also has open items in several jurisdictions concerning such matters as the deductibility of particular expenses and the tax treatment of certain business transactions. GSK applies a risk-based approach to determine the transactions most likely to be subject to challenge and the probability that the Group would be able to obtain compensatory adjustments under international tax treaties.

The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. At 31 December 2018 the Group had recognised provisions of £1,082 million in respect of such uncertain tax positions (2017 – £1,175 million). The decrease in recognised provisions during 2018 was driven by the reassessment of estimates and the utilisation of provisions for uncertain tax positions following the settlement of a number of open issues with tax authorities in various jurisdictions. Whilst the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with the relevant tax authorities, or litigation where appropriate, the Group continues to believe that it has made appropriate provision for periods which are open and not yet agreed by the tax authorities. GSK does not currently anticipate any material changes to the amounts provided for transfer pricing or tax contingencies during the next 12 months.

A provision for deferred tax liabilities of £185 million as at 31 December 2018 (2017 – £209 million) has been made in respect of withholding taxation that would be payable on the remittance of profits by certain overseas subsidiaries. Whilst the aggregate amount of unremitted profits at the balance sheet date was approximately £18 billion (2017 – £17 billion), the majority of these unremitted profits would not be subject to tax (including withholding tax) on repatriation, as UK legislation relating to company distributions provides for exemption from tax for most overseas profits, subject to certain exceptions. Deferred tax is not provided on temporary differences of £231 million (2017 – £nil) arising on unremitted profits as management has the ability to control any future reversal and does not consider such a reversal to be probable.

14. Taxation continued

Movement in deferred tax assets and liabilities

	Accelerated capital allowances £m	Intangible assets £m	Contingent consideration £m	Intra-Group profit £m	Pensions & other post employment benefits £m	Tax losses £m	Share option and award schemes £m	Other net temporary differences £m	Total £m
At 1 January 2017	(377)	(2,324)	1,138	1,054	1,262	227	110	1,350	2,440
Exchange adjustments	(7)	75	–	(58)	(48)	(5)	(4)	(18)	(65)
Credit/(charge) to income statement	62	330	(52)	256	3	59	(1)	(88)	569
Credit/(charge) to income statement associated with US tax reform	5	116	(218)	(235)	(210)	(20)	(27)	(216)	(805)
Credit to income statement associated with Swiss tax reform	–	483	–	–	–	–	–	–	483
(Charge)/credit to statement of comprehensive income and equity	–	–	–	–	(247)	–	(4)	29	(222)
At 1 January 2018	(317)	(1,320)	868	1,017	760	261	74	1,057	2,400
Exchange adjustments	(6)	(4)	–	43	38	2	2	9	84
Credit/(charge) to income statement	(12)	365	(34)	(31)	33	183	(7)	(101)	396
Credit/(charge) to statement of comprehensive income and equity	–	–	–	–	(144)	–	2	8	(134)
Reclassification on disposal	–	–	–	–	7	1	–	(23)	(15)
At 31 December 2018	(335)	(959)	834	1,029	694	447	71	950	2,731

The net credit to the income statement of £396 million included an £18 million charge related to R&D incentives recognised within Operating profit (and not the taxation charge) in the income statement.

Deferred tax liabilities provided in relation to intangible assets predominately relate to temporary differences arising on assets and liabilities acquired as part of historic business combinations.

The Group continues to recognise deferred tax assets on future obligations in respect of contingent consideration amounts payable to minority shareholders. These payments are tax deductible at the point in time at which payment is made.

A deferred tax asset is recognised on intra-Group profits arising on inter-company inventory which are eliminated within the consolidated accounts. As intra-Group profits are not eliminated from the individual entities' tax returns a temporary difference arises that will reverse at the point in time inventory is sold externally.

The deferred tax asset recognised on tax losses of £447 million (2017 – £261 million) related to trading losses. Other net temporary differences included accrued expenses for which a tax deduction is only available on a paid basis, such as for pensions.

Deferred tax asset and liabilities are recognised on the balance sheet as follows:

	2018 £m	2017 £m
Deferred tax assets	**3,887**	3,796
Deferred tax liabilities	**(1,156)**	(1,396)
	2,731	2,400

Deferred tax assets are recognised on US foreign tax credits only where it is probable that future taxable profits will be available. The net amount of foreign tax credits on which deferred tax has not been provided was £114 million at 31 December 2018 (2017 – £151 million).

	2018		2017	
Unrecognised tax losses	**Tax losses £m**	**Unrecognised deferred tax asset £m**	Tax losses £m	Unrecognised deferred tax asset £m

Trading losses expiring:				
Within 10 years	**678**	**148**	802	187
More than 10 years	**957**	**93**	872	99
Available indefinitely	**89**	**15**	86	14
At 31 December	**1,724**	**256**	1,760	300
Capital losses expiring:				
Available indefinitely	**2,042**	**399**	1,924	372
At 31 December	**2,042**	**399**	1,924	372

Deferred tax assets are only recognised where it is probable that future taxable profit will be available to utilise losses.

Notes to the financial statements continued

15. Earnings per share

	2018 pence	2017 pence	2016 pence
Basic earnings per share	**73.7**	31.4	18.8
Diluted earnings per share	**72.9**	31.0	18.6

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period after deducting shares held by the ESOP Trusts and Treasury shares. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share forms part of the employee share schemes where its exercise price is below the average market price of GSK shares during the period and any performance conditions attaching to the scheme have been met at the balance sheet date.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below.

Weighted average number of shares in issue	2018 millions	2017 millions	2016 millions
Basic	**4,914**	4,886	4,860
Dilution for share options and awards	**57**	55	49
Diluted	**4,971**	4,941	4,909

16. Dividends

	2018			2017			2016		
	Paid/payable	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m	Paid	Dividend per share (pence)	Total dividend £m
First interim	**12 July 2018**	**19**	**934**	13 July 2017	19	928	14 July 2016	19	923
Second interim	**11 October 2018**	**19**	**934**	12 October 2017	19	929	13 October 2016	19	925
Third interim	**10 January 2019**	**19**	**935**	11 January 2018	19	929	12 January 2017	19	925
Fourth interim	**11 April 2019**	**23**	**1,132**	12 April 2018	23	1,130	13 April 2017	23	1,124
Total		**80**	**3,935**		80	3,916		80	3,897

Under IFRS, interim dividends are only recognised in the financial statements when paid and not when declared. GSK normally pays a dividend two quarters after the quarter to which it relates and one quarter after it is declared. The 2018 financial statements recognise those dividends paid in 2018, namely the third and fourth interim dividends for 2017, and the first and second interim dividends for 2018.

The amounts recognised in each year were as follows:

	2018 £m	2017 £m	2016 £m
Dividends to shareholders	**3,927**	3,906	4,850

17. Property, plant and equipment

	Land and buildings £m	Plant, equipment and vehicles £m	Assets in construction £m	**Total £m**
Cost at 1 January 2017	7,761	11,235	3,168	**22,164**
Exchange adjustments	(127)	(62)	(45)	**(234)**
Other additions	69	296	1,219	**1,584**
Capitalised borrowing costs	–	–	30	**30**
Disposals and write-offs	(376)	(685)	(31)	**(1,092)**
Reclassifications	602	1,186	(1,826)	**(38)**
Transfer to assets held for sale	(462)	(219)	(14)	**(695)**
Cost at 31 December 2017	7,467	11,751	2,501	**21,719**
Exchange adjustments	150	187	25	**362**
Other additions	33	190	1,135	**1,358**
Capitalised borrowing costs	–	–	21	**21**
Disposals and write-offs	(90)	(440)	(53)	**(583)**
Reclassifications	403	1,016	(1,486)	**(67)**
Transfer to assets held for sale	(152)	(167)	(3)	**(322)**
Cost at 31 December 2018	7,811	12,537	2,140	**22,488**
Depreciation at 1 January 2017	(3,259)	(7,410)	–	**(10,669)**
Exchange adjustments	50	110	–	**160**
Charge for the year	(299)	(689)	–	**(988)**
Disposals and write-offs	158	539	–	**697**
Transfer to assets held for sale	314	190	–	**504**
Depreciation at 31 December 2017	(3,036)	(7,260)	–	**(10,296)**
Exchange adjustments	(61)	(111)	–	**(172)**
Charge for the year	(268)	(686)	–	**(954)**
Disposals and write-offs	77	401	–	**478**
Transfer to assets held for sale	55	122	–	**177**
Depreciation at 31 December 2018	(3,233)	(7,534)	–	**(10,767)**
Impairment at 1 January 2017	(279)	(344)	(64)	**(687)**
Exchange adjustments	8	2	(2)	**8**
Disposals and write-offs	210	104	28	**342**
Impairment losses	(194)	(138)	(17)	**(349)**
Reversal of impairments	7	9	1	**17**
Transfer to assets held for sale	87	8	11	**106**
Impairment at 31 December 2017	(161)	(359)	(43)	**(563)**
Exchange adjustments	(8)	(4)	(1)	**(13)**
Disposals and write-offs	10	59	22	**91**
Impairment losses	(16)	(143)	(46)	**(205)**
Reversal of impairments	1	6	–	**7**
Transfer to assets held for sale	–	20	–	**20**
Impairment at 31 December 2018	(174)	(421)	(68)	**(663)**
Total depreciation and impairment at 31 December 2017	(3,197)	(7,619)	(43)	**(10,859)**
Total depreciation and impairment at 31 December 2018	(3,407)	(7,955)	(68)	**(11,430)**
Net book value at 1 January 2017	4,223	3,481	3,104	**10,808**
Net book value at 31 December 2017	4,270	4,132	2,458	**10,860**
Net book value at 31 December 2018	4,404	4,582	2,072	**11,058**

The weighted average interest rate for capitalised borrowing costs in the year was 3% (2017 – 4%). Disposals and write-offs in the year included a number of assets with nil net book value that are no longer in use in the business.

Notes to the financial statements continued

17. Property, plant and equipment continued

The net book value at 31 December 2018 of the Group's land and buildings included £24 million (2017 – £27 million) held under finance leases. In addition, the net book value of plant, equipment and vehicles held under finance lease at 31 December 2018 was £59 million (2017 – £55 million).

The impairment losses principally arose from decisions to rationalise facilities and are calculated based on either fair value less costs of disposal or value in use. The fair value less costs of disposal valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. These calculations determine the net present value of the projected risk-adjusted, post-tax cash flows of the relevant asset or cash generating unit, applying a discount rate of the Group post-tax weighted average cost of capital (WACC) of 7%, adjusted where appropriate for relevant specific risks. For value in use calculations, where an impairment is indicated and a pre-tax cash flow calculation is expected to give a materially different result, the test would be reperformed using pre-tax cash flows and a pre-tax discount rate. The Group WACC is equivalent to a pre-tax discount rate of approximately 9%. The net impairment losses have been charged to cost of sales £142 million (2017 – £198 million), R&D £9 million (2017 – £93 million) and SG&A £54 million (2017 – £36 million), and included £138 million (2017 – £278 million) arising from the major restructuring programmes.

Reversals of impairment arose from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments were deemed no longer to apply. All of the reversals have been credited to cost of sales.

The carrying value at 31 December 2018 of assets for which impairments have been charged or reversed in the year was £95 million (2017 – £33 million).

During 2018, £67 million (2017 – £38 million) of computer software was reclassified from assets in construction to intangible assets on becoming ready for use.

18. Goodwill

	2018 £m	2017 £m
Cost at 1 January	**5,734**	5,965
Exchange adjustments	**199**	(228)
Transfer to assets held for sale	**(144)**	(3)
Cost at 31 December	**5,789**	5,734
Net book value at 1 January	**5,734**	5,965
Net book value at 31 December	**5,789**	5,734

Goodwill is allocated to the Group's segments as follows:

	2018 £m	2017 £m
Pharmaceuticals	**3,273**	3,172
Vaccines	**1,342**	1,302
Consumer Healthcare	**1,174**	1,260
Net book value at 31 December	**5,789**	5,734

18. Goodwill continued

The recoverable amounts of the cash generating units are assessed using a fair value less costs of disposal model. Fair value less costs of disposal is calculated using a discounted cash flow approach, with a post-tax discount rate applied to the projected risk-adjusted post-tax cash flows and terminal value.

The discount rate used is based on the Group WACC of 7%, as most cash generating units have integrated operations across large parts of the Group. The discount rate is adjusted where appropriate for specific segment, country and currency risks. The valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as level 3 in the fair value hierarchy.

Details relating to the discounted cash flow models used in the impairment tests of the Pharmaceuticals, Vaccines and Consumer Healthcare cash generating units are as follows:

Valuation basis	Fair value less costs of disposal		
Key assumptions	Sales growth rates Profit margins Terminal growth rate Discount rate Taxation rate		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information. Margins reflect past experience, adjusted for expected changes. Terminal growth rates based on management's estimate of future long-term average growth rates. Discount rates based on Group WACC, adjusted where appropriate. Taxation rates based on appropriate rates for each region.		
Period of specific projected cash flows	Five years		
Terminal growth rate and discount rate		Terminal growth rate	Discount rate
	Pharmaceuticals	1% p.a.	7.5%
	Vaccines	1% p.a.	7.5%
	Consumer Healthcare	2% p.a.	6%

The terminal growth rates do not exceed the long-term projected growth rates for the relevant markets, reflect the impact of future generic competition and take account of new product launches.

In each case the valuations indicated sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill. Goodwill is monitored at the segmental level.

The Pharmaceuticals cash generating unit comprises a collection of smaller cash generating units including assets with indefinite lives with a carrying value of £236 million (2017 – £228 million). The Consumer Healthcare cash generating unit also comprises a collection of smaller cash generating units including brands with indefinite lives with a carrying value of £8.5 billion (2017 – £8.5 billion).

Details of indefinite life brands are given in Note 19, 'Other intangible assets'.

Notes to the financial statements continued

19. Other intangible assets

	Computer software £m	Licences, patents, etc. £m	Amortised brands £m	Indefinite life brands £m	**Total £m**
Cost at 1 January 2017	2,156	15,143	427	9,375	**27,101**
Exchange adjustments	(37)	(215)	(4)	(272)	**(528)**
Capitalised development costs	–	251	–	–	**251**
Capitalised borrowing costs	2	3	–	–	**5**
Other additions	233	221	–	–	**454**
Disposals and asset write-offs	(217)	(38)	–	–	**(255)**
Transfer to assets held for sale	(1)	(90)	–	(44)	**(135)**
Reclassifications	38	–	66	(66)	**38**
Cost at 31 December 2017	2,174	15,275	489	8,993	**26,931**
Exchange adjustments	32	235	29	63	**359**
Capitalised development costs	–	203	–	–	**203**
Capitalised borrowing costs	1	–	–	–	**1**
Other additions	173	154	–	–	**327**
Disposals and asset write-offs	(80)	(129)	–	–	**(209)**
Transfer to assets held for sale	(2)	(81)	(9)	–	**(92)**
Reclassifications	67	–	–	–	**67**
Cost at 31 December 2018	2,365	15,657	509	9,056	**27,587**
Amortisation at 1 January 2017	(1,184)	(4,983)	(224)	–	**(6,391)**
Exchange adjustments	25	141	–	–	**166**
Charge for the year	(163)	(761)	(10)	–	**(934)**
Disposals and asset write-offs	210	25	–	–	**235**
Transfer to assets held for sale	1	25	–	–	**26**
Amortisation at 31 December 2017	(1,111)	(5,553)	(234)	–	**(6,898)**
Exchange adjustments	(24)	(104)	(3)	–	**(131)**
Charge for the year	(240)	(645)	(17)	–	**(902)**
Disposals and asset write-offs	67	124	–	–	**191**
Transfer to assets held for sale	1	18	1	–	**20**
Amortisation at 31 December 2018	(1,307)	(6,160)	(253)	–	**(7,720)**
Impairment at 1 January 2017	(9)	(1,652)	(143)	(130)	**(1,934)**
Exchange adjustments	–	110	–	3	**113**
Impairment losses	(2)	(546)	–	(132)	**(680)**
Disposals and asset write-offs	2	5	–	–	**7**
Transfer to assets held for sale	–	19	–	4	**23**
Impairment at 31 December 2017	(9)	(2,064)	(143)	(255)	**(2,471)**
Exchange adjustments	–	(69)	(20)	–	**(89)**
Impairment losses	(17)	(51)	–	(69)	**(137)**
Reversal of impairments	–	3	–	–	**3**
Disposals and asset write-offs	14	4	–	–	**18**
Transfer to assets held for sale	–	11	–	–	**11**
Impairment at 31 December 2018	(12)	(2,166)	(163)	(324)	**(2,665)**
Total amortisation and impairment at 31 December 2017	(1,120)	(7,617)	(377)	(255)	**(9,369)**
Total amortisation and impairment at 31 December 2018	(1,319)	(8,326)	(416)	(324)	**(10,385)**
Net book value at 1 January 2017	963	8,508	60	9,245	**18,776**
Net book value at 31 December 2017	1,054	7,658	112	8,738	**17,562**
Net book value at 31 December 2018	1,046	7,331	93	8,732	**17,202**

The weighted average interest rate for capitalised borrowing costs in the year was 3% (2017 – 4%).

The net book value of computer software included £578 million (2017 – £669 million) of internally generated costs.

The carrying value at 31 December 2018 of intangible assets, for which impairments have been charged or reversed in the year, following those impairments or reversals, was £73 million (2017 – £300 million).

The patent expiry dates of the Group's most significant assets, where relevant, are set out on pages 238 and 239.

19. Other intangible assets continued

Amortisation and impairment losses, net of reversals, have been charged in the income statement as follows:

	Amortisation		Net impairment losses	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Cost of sales	**593**	578	**69**	400
Selling, general and administration	**178**	116	**19**	2
Research and development	**131**	240	**46**	278
	902	934	**134**	680

Licences, patents, etc. includes a large number of acquired licences, patents, know-how agreements and marketing rights, which are either marketed or in use, or still in development. Note 38, 'Acquisitions and disposals' gives details of additions through business combinations in the year. The book values of the largest individual items are as follows:

	2018 £m	2017 £m
Meningitis portfolio	**2,363**	2,450
Dolutegravir	**1,319**	1,389
Benlysta	**905**	965
Fluarix/FluLaval	**274**	321
HIV assets acquired from BMS	**277**	277
Selzentry	**136**	162
Okairos technology platform	**205**	202
Others	**1,852**	1,892
	7,331	7,658

The Meningitis portfolio includes *Menveo, Bexsero*, Men ABCWY and *Menjugate*.

Indefinite life brands comprise a portfolio of Consumer Healthcare products primarily acquired with the acquisitions of Sterling Winthrop, Inc. in 1994, Block Drug Company, Inc. in 2001, CNS, Inc. in 2006 and the Novartis Consumer Healthcare business in 2015, together with a number of pharmaceutical brands from the acquisition of Stiefel Laboratories, Inc. in 2009. The book values of the major brands are as follows:

	2018 £m	2017 £m
Voltaren	**2,735**	2,716
Otrivin	**1,385**	1,380
Fenistil	**651**	648
Theraflu	**449**	441
Panadol	**388**	386
Sensodyne	**265**	265
Lamisil	**293**	289
Breathe Right	**262**	236
Stiefel trade name	**236**	228
Excedrin	**193**	185
Physiogel	**150**	166
Polident	**112**	112
Others	**1,613**	1,686
	8,732	8,738

Each of these brands is considered to have an indefinite life, given the strength and durability of the brand and the level of marketing support. The brands are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the brands is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors which could limit their useful lives. Accordingly, they are not amortised.

Each brand is tested annually for impairment and other amortised intangible assets are tested when indicators of impairment arise. This testing applies a fair value less costs of disposal methodology, generally using post-tax cash flow forecasts with a terminal value calculation and a discount rate equal to the Group post-tax WACC of 7%, adjusted where appropriate for specific segment, country and currency risks. This valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified

as level 3 of the fair value hierarchy. The main assumptions include future sales price and volume growth, product contribution, the future expenditure required to maintain the product's marketability and registration in the relevant jurisdictions and exchange rates. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rates applied of between nil% and 3% are management's estimates of future long-term average growth rates of the relevant markets. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of these intangible assets.

Notes to the financial statements continued

20. Investments in associates and joint ventures

	Joint ventures £m	Associates £m	**2018 Total £m**	Joint ventures £m	Associates £m	2017 Total £m
At 1 January	13	170	**183**	19	244	263
Exchange adjustments	1	11	**12**	(2)	(10)	(12)
Additions	1	9	**10**	–	15	15
Disposals	–	–	**–**	–	(92)	(92)
Distributions received	–	(40)	**(40)**	(1)	(1)	(2)
Other movements	1	39	**40**	–	(2)	(2)
Profit/(loss) after tax recognised in the consolidated income statement	3	28	**31**	(3)	16	13
At 31 December	19	217	**236**	13	170	183

The Group held one significant associate at 31 December 2018, Innoviva, Inc. At 31 December 2018, the Group owned 32 million shares or 31.7% of Innoviva, which is a biopharmaceutical company listed on NASDAQ. Innoviva partnered with GSK in the development of the long acting beta agonist vilanterol and currently receives royalty income from sales of products that contain this component, namely *Relvar/Breo Ellipta* and *Anoro Ellipta*. It also has a 15% economic interest in royalties paid by GSK on sales of *Trelegy Ellipta*. The remaining 85% of the economic interest in these royalties is held by Theravance Biopharma Inc., in which the Group holds 17.4% of the common stock. The investment in Innoviva had a market value of £440 million at 31 December 2018 (2017 – £336 million).

Summarised balance sheet information, based on published information, in respect of Innoviva is set out below:

	At 31 December 2018 £m	At 31 December 2017 £m
Non-current assets	**275**	124
Current assets	**157**	148
Current liabilities	**(4)**	(26)
Non-current liabilities	**(302)**	(426)
Net assets/(liabilities)	**126**	(180)

	2018 £m	2017 £m
Interest in associated undertaking	**40**	(57)
Goodwill	**91**	86
Fair value and other adjustments	**58**	118
Carrying value at 31 December	**189**	147

21. Other investments

	Investments designated as measured at FVTOCI £m	Investments measured at FVTPL £m	**2018 £m**	2017 £m
At 1 January	869	49	**918**	985
Exchange adjustments	48	4	**52**	(64)
Additions	363	9	**372**	80

Net fair value movements through Other comprehensive income	118	–	**118**	11
Net fair value movements through profit or loss	–	16	**16**	–
Impairment losses	–	–	**–**	(30)
Disposals and settlements	(89)	(6)	**(95)**	(64)
Transfers to Assets held for sale	(59)	–	**(59)**	–
At 31 December	1,250	72	**1,322**	918

Other investments comprise non-current equity investments which are recorded at fair value at each balance sheet date. For investments traded in an active market, the fair value is determined by reference to the relevant stock exchange quoted bid price. For other investments, the fair value is estimated by management with reference to relevant available information, including the current market value of similar instruments and discounted cash flows of the underlying net assets. Other investments include listed investments of £656 million (2017 – £535 million).

21. Other investments continued

GSK has elected to designate the majority of its equity investments as measured at fair value through other comprehensive income (FVTOCI). The most significant of these investments held at 31 December 2018 were in Theravance Biopharma, Inc. in which the Group holds 17.4% of the common stock, Orchard in which the group holds 14.5% and 23andMe in which the Group holds 14.5%. These investments had a fair value at 31 December 2018 of £194 million (2017 – £199 million), £154 million and £229 million respectively. No other investment is individually material. The other investments include equity stakes in companies with which GSK has research collaborations and in companies which provide access to biotechnology developments of potential interest. Information on dividends received from investments measured at FVTOCI is provided in Note 7 'Other operating income/(expense)'.

On disposal of equity investments measured at FVTOCI, the accumulated fair value movements are reclassified from the fair value reserve to retained earnings. Investments with a fair value of £148 million were disposed of during the year. The cumulative gain on these investments after tax was £56 million.

Certain other investments, such as investments in funds with limited lives, are measured at fair value through profit or loss (FVTPL). The cumulative gain/loss on investments measured at FVTPL which were disposed of during the year was £nil. The fair value of these investments on derecognition was £nil.

In 2017, prior to the Group's implementation of IFRS 9, the cumulative fair value movements, based on average cost for shares acquired at different times, for all other investments disposed of during the period were reclassified from the fair value reserve to the income statement.

The impairment losses recorded above for the prior year were recognised in the income statement within Other operating income, together with amounts reclassified from the fair value reserve on recognition of the impairments. These impairments resulted from prolonged or significant declines in the fair value of the equity investments below acquisition cost.

The carrying value at 31 December 2017 of Other investments which had been impaired was as follows:

	2017 £m
Original cost	475
Cumulative impairments recognised in the income statement	(283)
Subsequent fair value increases	210
Carrying value at 31 December 2017	402

Cumulative impairments on those Other investments designated as measured at FVTOCI under IFRS 9 were transferred from retained earnings to the fair value reserve on 1 January 2018 on adoption of IFRS 9.

22. Other non-current assets

	2018 £m	2017 £m
Amounts receivable under insurance contracts	**675**	648
Pension schemes in surplus	**760**	538
Other receivables	**141**	227
	1,576	1,413

Amounts receivable under insurance contacts are held at fair value through profit or loss.

In regards to the other receivables of £141 million, £89 million is classified as financial assets of which £41 million is classified as fair value through profit or loss. Of the remaining balance of £48 million, the expected credit loss allowance was immaterial at 31 December 2018.

23. Inventories

	2018 £m	2017 £m

Raw materials and consumables	**1,122**	1,193
Work in progress	**2,286**	2,381
Finished goods	**2,068**	1,983
	5,476	5,557

Notes to the financial statements continued

24. Trade and other receivables

	2018 £m	2017 £m
Trade receivables, net of loss allowance	**5,176**	4,672
Accrued income	**9**	21
Other prepayments	**330**	308
Interest receivable	**4**	10
Employee loans and advances	**14**	19
Other receivables	**890**	970
	6,423	6,000

Trade receivables included £15 million (2017 – £11 million) due from associates and joint ventures. Other receivables included £nil (2017 – £7 million) due from associates and joint ventures.

Loss allowance	2018 £m	2017 £m
At 1 January	**140**	207
Implementation of IFRS 9	**15**	–
At 1 January, as adjusted	**155**	–
Exchange adjustments	**–**	(4)
Charge for the year	**7**	31
Subsequent recoveries of amounts provided for	**(30)**	(79)
Utilised	**(4)**	(15)
At 31 December	**128**	140

Of the total trade receivables balance, £71 million was considered credit impaired, against which a £7 million expected credit loss allowance has been applied. No amount was purchased or originated credit impaired.

Of the other receivables of £890 million, £376 million was classified as financial assets of which £41 million was classified as at fair value through profit and loss. On the remaining balance of £335 million, an expected credit loss allowance of £5 million was recognised at 31 December 2018 with no charge reported in profit or loss during the year.

For more discussion on credit risk practices, please refer to Note 42.

25. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**569**	826
Short-term deposits	**3,305**	3,007
	3,874	3,833

In addition, £485 million of cash and cash equivalents has been reported in Assets held for sale, see Note 26, ‘Assets held for sale’.

Cash and cash equivalents included £0.2 billion (2017 – £0.8 billion) not available for general use due to restrictions applying in the subsidiaries where it is held. Restrictions include exchange controls and taxes on repatriation.

26. Assets held for sale

	2018 £m	2017 £m
Property, plant and equipment	**109**	57
Goodwill	**144**	–
Other intangibles	**1**	49
Inventory	**50**	7
Cash and cash equivalents	**485**	–
Other	**(136)**	–
	653	113

Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered highly probable. They are held at the lower of carrying amount and fair value less costs to sell.

Assets held for sale primarily reflect the disposal group arising from GSK's agreement to divest *Horlicks* and other Consumer Healthcare nutritional brands to Unilever plc announced in December 2018, and which is expected to complete by the end of 2019. See Note 38, 'Acquisitions and disposals'.

Included within assets held for sale are assets which were written down to fair value less costs to sell of £51 million (2017 – £63 million). The valuation methodology used significant inputs which were not based on observable market data and therefore this valuation is classified as level 3 in the fair value hierarchy.

27. Trade and other payables

	2018 £m	2017 £m
Trade payables	**3,645**	3,528
Wages and salaries	**1,355**	1,228
Social security	**139**	166
Consumer Healthcare put option	**–**	8,606
ViiV Healthcare put option	**1,240**	1,304
Other payables	**401**	363
Deferred income	**216**	240
Customer return and rebate accruals	**5,064**	3,463
Other accruals	**1,977**	2,072
	14,037	20,970

Trade and other payables included £64 million (2017 – £53 million) due to associates and joint ventures. The Group provides limited supplier financing arrangements to certain customers. The amounts involved at 31 December 2018 were not material.

Revenue recognised in the year that was included in deferred income at 1 January 2018 was £66 million. Of the remaining balance, £64 million related to proceeds from a site disposal in India, which was expected to complete in 2018, but is now expected to complete in 2019.

Customer return and rebate accruals are provided for by the Group at the point of sale in respect of the estimated rebates, discounts or allowances payable to customers, and included £4,356 million (2017 – £2,837 million) in respect of US Pharmaceuticals and Vaccines, as more fully described in the Group financial review on page 63. Accruals are made at the time of sale but the actual amounts paid are based on claims made some time after the initial recognition of the sale. As the amounts are estimated, they may not fully reflect the final outcome and are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted quarterly in light of historical experience of actual amounts paid and any changes in arrangements. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Pfizer's put option over its shareholding in ViiV Healthcare is currently exercisable. The amount of the liability recognised is derived from several valuation methodologies, including reference to market multiples of comparable companies. The table below shows on an indicative basis the income statement and balance sheet sensitivity of the Pfizer put option to reasonably possible changes in key assumptions.

Increase/(decrease) in financial liability and loss/(gain) in Income statement	2018 £m
10% increase in sales forecasts	**140**
10% decrease in sales forecasts	**(140)**
10 cent appreciation of US Dollar	**75**
10 cent depreciation of US Dollar	**(64)**
10 cent appreciation of Euro	**44**
10 cent depreciation of Euro	**(37)**

An explanation of the accounting for ViiV Healthcare is set out on page 41.

Notes to the financial statements continued

28. Pensions and other post-employment benefits

Pension and other post-employment costs	2018 £m	2017 £m	2016 £m
UK pension schemes	**246**	198	205
US pension schemes	**100**	113	106
Other overseas pension schemes	**190**	218	140
Unfunded post-retirement healthcare schemes	**50**	87	90
	586	616	541
Analysed as:			
Funded defined benefit/hybrid pension schemes	**369**	335	304
Unfunded defined benefit pension schemes	**43**	55	43
Unfunded post-retirement healthcare schemes	**50**	87	90
Defined benefit schemes	**462**	477	437
Defined contribution pension schemes	**124**	139	104
	586	616	541

The costs of the defined benefit pension and post-retirement healthcare schemes are charged in the income statement as follows:

	2018 £m	2017 £m	2016 £m
Cost of sales	**160**	162	135
Selling, general and administration	**228**	238	221
Research and development	**74**	77	81
	462	477	437

GSK entities operate pension arrangements which cover the Group's material obligations to provide pensions to retired employees. These arrangements have been developed in accordance with local practices in the countries concerned. Pension benefits can be provided by state schemes; by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee; or by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service.

Pension costs of defined benefit schemes for accounting purposes have been calculated using the projected unit method. In certain countries pension benefits are provided on an unfunded basis, some administered by trustee companies. Formal, independent, actuarial valuations of the Group's main plans are undertaken regularly, normally at least every three years.

Actuarial movements in the year are recognised through the statement of comprehensive income. Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. Discount rates are selected to reflect the term of the expected benefit payments. Projected inflation rate and pension increases are long-term predictions based on the yield gap between long-term index-linked and fixed interest Gilts. In the UK, mortality rates are determined by adjusting the SAPS S2 standard mortality tables to reflect recent scheme experience. These rates are then projected to reflect improvements in life expectancy in line with the CMI 2017 projections with a long-term rate of improvement of 1.25% per year for both males and females. In the US, mortality rates are calculated using the RP2014 white collar table adjusted to reflect recent experience. These rates are projected using MP-2017 to allow for future improvements in life expectancy.

28. Pensions and other post-employment benefits continued

The average life expectancy assumed now for an individual at the age of 60 and projected to apply in 2038 for an individual then at the age of 60 is as follows:

	UK		US	
	Male Years	Female Years	Male Years	Female Years
Current	27.5	29.1	27.0	28.7
Projected for 2038	29.0	30.6	28.7	30.3

The assets of funded schemes are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure of any individual investment. The physical asset allocation strategy for three of the four UK plans remains unchanged, with 55% in return-seeking assets and 45% in liability-matching assets. The remaining plan has materially de-risked given its relative higher maturity as well as improved funding position. The asset allocation of the US plans is currently set at 55% return-seeking assets and 45% liability-matching assets.

The pension plans are exposed to risk that arises because the estimated market value of the plans' assets might decline, the investment returns might reduce, or the estimated value of the plans' liabilities might increase.

In line with the agreed mix of return-seeking assets to generate future returns and liability-matching assets to better match future pension obligations, the Group has defined an overall long-term investment strategy for the plans, with investments across a broad range of assets. The main market risks within the asset and hedging portfolio are against credit risk, interest rates, long-term inflation, equities, property, currency and bank counterparty risk.

The plan liabilities are a series of future cash flows with relatively long duration. On an IAS 19 basis, these cash flows are sensitive to changes in the expected long-term inflation rate and the discount rate (AA corporate bond yield curve) where an increase in long-term inflation corresponds with an increase in the liabilities, and an increase in the discount rate corresponds with a decrease in the liabilities.

The interest rate risk and credit rate risk in the US are partially hedged. The targets are based on an accounting measure of the plan liabilities.

For the UK plans, there is an interest rate and inflation hedging strategy in place. The targets are based on an economic measure of the plan liabilities. Furthermore, the plans also currently hedge a portion of their equity exposure with a staggered maturity profile.

In the UK, the defined benefit pension schemes operated for the benefit of former Glaxo Wellcome employees and former SmithKline Beecham employees remain separate. These schemes were closed to new entrants in 2001 and subsequent UK employees are entitled to join a defined contribution scheme. In addition, the Group operates a number of post-retirement healthcare schemes, the principal one of which is in the US.

The Group has applied the following financial assumptions in assessing the defined benefit liabilities:

	UK			US			Rest of World		
	2018 % pa	2017 % pa	2016 % pa	**2018 % pa**	2017 % pa	2016 % pa	**2018 % pa**	2017 % pa	2016 % pa
Rate of increase of future earnings	**2.00**	2.00	2.00	**4.00**	4.00	4.00	**2.70**	2.80	2.70
Discount rate	**2.90**	2.50	2.70	**4.20**	3.60	3.90	**1.80**	1.60	1.60
Expected pension increases	**3.20**	3.20	3.20	**n/a**	n/a	n/a	**2.10**	2.20	2.10
Cash balance credit/conversion rate	**n/a**	n/a	n/a	**3.20**	2.90	3.20	**0.40**	0.30	0.30
Inflation rate	**3.20**	3.20	3.20	**2.25**	2.25	2.25	**1.50**	1.70	1.50

Sensitivity analysis detailing the effect of changes in assumptions is provided on page 182. The analysis provided reflects the assumption changes which have the most material impact on the results of the Group.

Notes to the financial statements continued

28. Pensions and other post-employment benefits continued

The amounts recorded in the income statement and statement of comprehensive income for the three years ended 31 December 2018 in relation to the defined benefit pension and post-retirement healthcare schemes were as follows:

2018	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	75	72	134	**281**	**29**
Past service cost/(credit)	93	1	–	**94**	**(27)**
Net interest (income)/cost	(3)	20	19	**36**	**49**
Gains from settlements	–	–	(14)	**(14)**	**(1)**
Expenses	8	7	–	**15**	**–**
	173	100	139	**412**	**50**
Remeasurement gains/(losses) recorded in the statement of comprehensive income	495	(108)	196	**583**	**145**

2017	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	79	70	131	280	30
Past service cost/(credit)	37	–	–	37	(2)
Net interest cost	7	31	16	54	59
Expenses	7	12	–	19	–
	130	113	147	390	87
Remeasurement gains/(losses) recorded in the statement of comprehensive income	259	240	(14)	485	64

2016	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Amounts charged to operating profit					
Current service cost	70	66	110	246	31
Past service cost	52	1	1	54	3
Net interest cost	9	27	20	56	56
Gains from settlements	–	–	(28)	(28)	–
Expenses	7	12	–	19	–
	138	106	103	347	90
Remeasurement losses recorded in the statement of comprehensive income	(165)	(27)	(224)	(416)	(59)

The amounts included within past service costs in the UK include a charge of £40 million in relation to the estimated impact of GMP equalisation and £43 million (2017 – £37 million; 2016 – £52 million) of augmentation costs of which £21 million is arising from major restructuring programmes (see Note 29, ‘Other provisions’).

28. Pensions and other post-employment benefits continued

A summarised balance sheet presentation of the Group defined benefit pension schemes and other post-retirement benefits is set out in the table below:

	2018 £m	2017 £m	2016 £m
Recognised in Other non-current assets:			
Pension schemes in surplus	**760**	538	313
Recognised in Assets held for sale:			
Post-retirement benefits	**(9)**	–	–
Recognised in Pensions and other post-employment benefits:			
Pension schemes in deficit	**(1,755)**	(2,043)	(2,397)
Post-retirement benefits	**(1,370)**	(1,496)	(1,693)
	(3,125)	(3,539)	(4,090)

In the event of a plan wind-up, GSK believes the UK pension scheme rules provide the company with the right to a refund of surplus assets following the full settlement of plan liabilities. As a result, the net surplus in the UK defined benefit pension schemes is recognised in full.

The fair values of the assets and liabilities of the UK and US defined benefit pension schemes, together with aggregated data for other defined benefit pension schemes in the Group are as follows:

At 31 December 2018		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	3,257	1,280	518	**5,055**
	– unlisted	–	–	7	**7**
Multi-asset funds		2,997	–	–	**2,997**
Property:	– listed	–	–	33	**33**
	– unlisted	423	231	4	**658**
Corporate bonds:	– listed	404	783	111	**1,298**
	– unlisted	306	–	25	**331**
Government bonds:	– listed	3,835	286	795	**4,916**
Insurance contracts		770	–	831	**1,601**
Other assets		589	228	66	**883**
Fair value of assets		12,581	2,808	2,390	**17,779**
Present value of scheme obligations		(12,087)	(3,474)	(3,213)	**(18,774)**
Net surplus/(obligation)		494	(666)	(823)	**(995)**
Included in Other non-current assets		711	–	49	**760**
Included in Pensions and other post-employment benefits		(217)	(666)	(872)	**(1,755)**
		494	(666)	(823)	**(995)**
Actual return on plan assets		(88)	(123)	55	**(156)**

The multi-asset funds comprise investments in pooled investment vehicles that are invested across a range of asset classes, increasing diversification within the growth portfolio. The 'Other assets' category comprises cash and mark to market values of derivative positions.

In previous years, index-linked gilts held as part of a UK repo programme were included in government bonds. The related loan was included within 'Other assets' at a value of £(773) million at 31 December 2017 (2016 – £(1,686) million). This programme was cancelled during 2018.

Notes to the financial statements continued

28. Pensions and other post-employment benefits continued

At 31 December 2017		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	4,902	1,448	544	6,894
	– unlisted	–	–	13	13
Multi-asset funds		2,517	–	–	2,517
Property:	– unlisted	352	209	32	593
Corporate bonds:	– listed	297	820	103	1,220
	– unlisted	326	–	20	346
Government bonds:	– listed	5,127	239	762	6,128
Insurance contracts		849	–	707	1,556
Other assets		(1,216)	158	71	(987)
Fair value of assets		13,154	2,874	2,252	18,280
Present value of scheme obligations		(13,101)	(3,445)	(3,239)	(19,785)
Net surplus/(obligation)		53	(571)	(987)	(1,505)
Included in Other non-current assets		470	–	68	538
Included in Pensions and other post-employment benefits		(417)	(571)	(1,055)	(2,043)
		53	(571)	(987)	(1,505)
Actual return on plan assets		893	394	82	1,369

At 31 December 2016		UK £m	US £m	Rest of World £m	Group £m
Equities:	– listed	5,357	1,358	486	7,201
	– unlisted	–	–	14	14
Multi-asset funds		1,545	–	–	1,545
Property:	– unlisted	314	216	28	558
Corporate bonds:	– listed	292	213	96	601
	– unlisted	321	–	24	345
Government bonds:	– listed	6,165	815	739	7,719
Insurance contracts		856	–	637	1,493
Other assets		(2,267)	288	73	(1,906)
Fair value of assets		12,583	2,890	2,097	17,570
Present value of scheme obligations		(12,884)	(3,752)	(3,018)	(19,654)
Net obligation		(301)	(862)	(921)	(2,084)
Included in Other non-current assets		276	–	37	313
Included in Pensions and other post-employment benefits		(577)	(862)	(958)	(2,397)
		(301)	(862)	(921)	(2,084)
Actual return on plan assets		2,473	153	99	2,725

28. Pensions and other post-employment benefits continued

				Pensions	Post-retirement benefits
Movements in fair values of assets	UK £m	US £m	Rest of World £m	**Group £m**	**Group £m**
Assets at 1 January 2016	10,284	2,501	1,750	**14,535**	**–**
Exchange adjustments	–	459	305	**764**	**–**
Interest income	385	108	37	**530**	**–**
Expenses	(7)	(12)	–	**(19)**	**–**
Settlements and curtailments	–	–	(110)	**(110)**	**–**
Remeasurement	2,088	45	62	**2,195**	**–**
Employer contributions	319	31	131	**481**	**91**
Scheme participants' contributions	4	–	14	**18**	**17**
Benefits paid	(490)	(242)	(92)	**(824)**	**(108)**
Assets at 31 December 2016	12,583	2,890	2,097	**17,570**	**–**
Exchange adjustments	–	(244)	24	**(220)**	**–**
Interest income	333	104	33	**470**	**–**
Expenses	(7)	(12)	–	**(19)**	**–**
Settlements and curtailments	–	–	(4)	**(4)**	**–**
Remeasurement	560	290	49	**899**	**–**
Employer contributions	225	103	116	**444**	**101**
Scheme participants' contributions	4	–	17	**21**	**17**
Benefits paid	(544)	(257)	(80)	**(881)**	**(118)**
Assets at 31 December 2017	13,154	2,874	2,252	**18,280**	**–**
Exchange adjustments	–	171	53	**224**	**–**
Interest income	323	102	29	**454**	**–**
Expenses	(8)	(7)	–	**(15)**	**–**
Settlements and curtailments	–	–	(14)	**(14)**	**–**
Remeasurement	(411)	(225)	26	**(610)**	**–**
Employer contributions	119	150	117	**386**	**93**
Scheme participants' contributions	4	–	16	**20**	**16**
Benefits paid	(600)	(257)	(89)	**(946)**	**(109)**
Assets at 31 December 2018	12,581	2,808	2,390	**17,779**	**–**

During 2018, the Group made no special funding contributions to the UK pension schemes (2017 – £136 million; 2016 – £191 million) but £125 million (2017 – £78 million; 2016 – £nil) to the US scheme. In 2018, GSK reached a revised agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficits identified within the schemes at the 31 December 2017 actuarial funding valuation. Based on these funding agreements, the additional contributions to eliminate the pension deficit are expected to be £75 million in 2019. Further payments have been agreed for the years 2020 to 2022 and these are included within Note 41, 'Commitments' on page 197. This funding commitment supersedes the previous agreement made in 2016. The contributions were based on a government bond yield curve approach to selecting the discount rate; the rate chosen included an allowance for expected investment returns which reflected the asset mix of the schemes.

Employer contributions for 2019, including special funding contributions, are estimated to be approximately £420 million in respect of defined benefit pension schemes and £100 million in respect of post-retirement benefits.

Notes to the financial statements continued

28. Pensions and other post-employment benefits continued

Movements in defined benefit obligations	UK £m	US £m	Rest of World £m	Pensions Group £m	Post-retirement benefits Group £m
Obligations at 1 January 2016	(10,601)	(3,134)	(2,384)	**(16,119)**	**(1,387)**
Exchange adjustments	–	(586)	(396)	**(982)**	**(248)**
Service cost	(70)	(66)	(110)	**(246)**	**(31)**
Past service cost	(52)	(1)	(1)	**(54)**	**(3)**
Interest cost	(394)	(135)	(57)	**(586)**	**(56)**
Settlements and curtailments	–	–	138	**138**	**–**
Remeasurement	(2,253)	(72)	(286)	**(2,611)**	**(59)**
Scheme participants' contributions	(4)	–	(14)	**(18)**	**(17)**
Benefits paid	490	242	92	**824**	**108**
Obligations at 31 December 2016	(12,884)	(3,752)	(3,018)	**(19,654)**	**(1,693)**
Exchange adjustments	–	305	(45)	**260**	**119**
Service cost	(79)	(70)	(131)	**(280)**	**(30)**
Past service cost/(credit)	(37)	–	–	**(37)**	**2**
Interest cost	(340)	(135)	(49)	**(524)**	**(59)**
Settlements and curtailments	–	–	4	**4**	**–**
Remeasurement	(301)	(50)	(63)	**(414)**	**64**
Scheme participants' contributions	(4)	–	(17)	**(21)**	**(17)**
Benefits paid	544	257	80	**881**	**118**
Obligations at 31 December 2017	(13,101)	(3,445)	(3,239)	**(19,785)**	**(1,496)**
Exchange adjustments	–	(208)	(63)	**(271)**	**(71)**
Service cost	(75)	(72)	(134)	**(281)**	**(29)**
Past service cost	(93)	(1)	–	**(94)**	**27**
Interest cost	(320)	(122)	(48)	**(490)**	**(49)**
Settlements and curtailments	–	–	28	**28**	**1**
Remeasurement	906	117	170	**1,193**	**145**
Scheme participants' contributions	(4)	–	(16)	**(20)**	**(16)**
Benefits paid	600	257	89	**946**	**109**
Obligations at 31 December 2018	(12,087)	(3,474)	(3,213)	**(18,774)**	**(1,379)**

The defined benefit pension obligation is analysed as follows:

	2018 £m	2017 £m	2016 £m
Funded	**(18,025)**	(19,052)	(18,974)
Unfunded	**(749)**	(733)	(680)
	(18,774)	(19,785)	(19,654)

The liability for the US post-retirement healthcare scheme has been assessed using the same assumptions as for the US pension scheme, together with the assumption for future medical inflation of 6.50% (2017 – 6.75%), grading down to 5.0% in 2025 and thereafter. At 31 December 2018, the US post-retirement healthcare scheme obligation was £1,179 million (2017 – £1,254 million; 2016 – £1,463 million). Post-retirement benefits are unfunded.

28. Pensions and other post-employment benefits continued

The movement in the net defined benefit liability is as follows:

	2018 £m	2017 £m	2016 £m
At 1 January	**(1,505)**	(2,084)	(1,584)
Exchange adjustments	**(47)**	40	(218)
Service cost	**(281)**	(280)	(246)
Past service cost	**(94)**	(37)	(54)
Interest cost	**(36)**	(54)	(56)
Settlements and curtailments	**14**	–	28
Remeasurements:			
Return on plan assets, excluding amounts included in interest	**(610)**	899	2,195
Gain from change in demographic assumptions	**131**	209	85
Gain/(loss) from change in financial assumptions	**1,149**	(555)	(2,770)
Experience (losses)/gains	**(87)**	(68)	74
Employer contributions	**386**	444	481
Expenses	**(15)**	(19)	(19)
At 31 December	**(995)**	(1,505)	(2,084)

The remeasurements included within post-retirement benefits are detailed below:

	2018 £m	2017 £m	2016 £m
Gain from change in demographic assumptions	**6**	47	–
Gain/(loss) from change in financial assumptions	**100**	(1)	(81)
Experience gains	**39**	18	22
	145	64	(59)

Notes to the financial statements continued

28. Pensions and other post-employment benefits continued

The defined benefit pension obligation analysed by membership category is as follows:

	2018 £m	2017 £m	2016 £m
Active	**4,427**	4,611	4,576
Retired	**9,542**	9,805	9,574
Deferred	**4,805**	5,369	5,504
	18,774	19,785	19,654

The post-retirement benefit obligation analysed by membership category is as follows:

	2018 £m	2017 £m	2016 £m
Active	**499**	514	594
Retired	**879**	981	1,099
Deferred	**1**	1	–
	1,379	1,496	1,693

The weighted average duration of the defined benefit obligation is as follows:

	2018 years	2017 years	2016 years
Pension benefits	**15**	16	16
Post-retirement benefits	**11**	11	12

Sensitivity analysis

The effect of changes in assumptions used on the benefit obligations and on the 2019 annual defined benefit pension and post-retirement costs are detailed below. This information has been determined by taking into account the duration of the liabilities and the overall profile of the plan memberships.

	£m
A 0.25% decrease in discount rate would have the following approximate effect:	
Increase in annual pension cost	28
Decrease in annual post-retirement benefits cost	(1)
Increase in pension obligation	707
Increase in post-retirement benefits obligation	34
A one-year increase in life expectancy would have the following approximate effect:	
Increase in annual pension cost	21
Increase in annual post-retirement benefits cost	2
Increase in pension obligation	592
Increase in post-retirement benefits obligation	33
A 1% increase in the rate of future healthcare inflation would have the following approximate effect:	
Increase in annual post-retirement benefits cost	1
Increase in post-retirement benefits obligation	38
A 0.25% increase in inflation would have the following approximate effect:	
Increase in annual pension cost	18
Increase in pension obligation	447

29. Other provisions

	Legal and other disputes £m	Major restructuring programmes £m	Employee -related provisions £m	Other provisions £m	Total £m
At 1 January 2018	186	504	304	271	**1,265**
Exchange adjustments	13	17	9	5	**44**
Charge for the year	119	450	105	50	**724**
Reversed unused	(2)	(99)	(25)	(46)	**(172)**
Unwinding of discount	2	4	–	9	**15**
Utilised	(98)	(226)	(41)	(79)	**(444)**
Reclassifications and other movements	(1)	12	(2)	3	**12**
Transfer to Pension obligations	–	(21)	–	–	**(21)**
At 31 December 2018	219	641	350	213	**1,423**
To be settled within one year	156	362	145	69	**732**
To be settled after one year	63	279	205	144	**691**
At 31 December 2018	219	641	350	213	**1,423**

Legal and other disputes

The Group is involved in a substantial number of legal and other disputes, including notification of possible claims, as set out in Note 45 'Legal proceedings'. Provisions for legal and other disputes include amounts relating to product liability, anti-trust, government investigations, contract terminations, self insurance and environmental clean-up.

The charge for the year of £117 million (net of reversals and estimated insurance recoveries) primarily related to provisions for product liability cases, commercial disputes and various other government investigations.

The discount on the provisions increased by £2 million in 2018 (2017 – increased by £2 million). The discount was calculated using risk-adjusted projected cash flows and risk-free rates of return.

In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

It is in the nature of the Group's business that a number of these matters may be the subject of negotiation and litigation over many years. Litigation proceedings, including the various appeal procedures, often take many years to reach resolution, and out-of-court settlement discussions can also often be protracted. Indemnified disputes will recognise a provision charge and a corresponding receivable.

Major restructuring programmes

The Group is undertaking two major restructuring programmes: the Combined restructuring and integration programme and the 2018 major restructuring programme. The programmes are focused primarily on simplifying supply chain processes, rationalising the Group's manufacturing network and restructuring the Pharmaceuticals commercial operations.

Provisions for staff severance payments are made when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected and appropriate consultation procedures completed, where appropriate. No provision is made for staff severance payments that are made immediately.

Pension augmentations arising from staff redundancies of £21 million (2017 – £18 million) have been charged during the year and then transferred to the pension obligations provision as shown in Note 28, 'Pensions and other post-employment benefits'. Asset write-downs have been recognised as impairments of property, plant and equipment in Note 17, 'Property, plant and equipment'. The majority of the amounts provided are expected to be utilised in the next two years.

Employee-related provisions

Employee related provisions include obligations for certain medical benefits to disabled employees and their spouses in the US. At 31 December 2018, the provision for these benefits amounted to £87 million (2017 – £108 million). Other employee benefits reflect a variety of provisions for severance costs, jubilee awards and other long-service benefits. Given the nature of these provisions, the amounts are likely to be settled over many years.

Other provisions

The Group is in potential settlement discussions in a number of the disputes for which amounts have been provided and, based on its current assessment of the progress of these disputes, estimates that £156 million of the amount provided at 31 December 2018 will be settled within one year. At 31 December 2018, it was expected that £37 million (2017 – £nil) of the provision made for legal and other disputes will be reimbursed by third parties. For a discussion of legal issues, see Note 45, ‘Legal proceedings’.

Included in other provisions are insurance provisions of £7 million (2017 – £6 million), onerous property lease provisions of £6 million (2017 – £38 million) and a number of other provisions including vehicle insurance and regulatory matters.

Notes to the financial statements continued

30. Other non-current liabilities

	2018 £m	2017 £m
Accruals	**71**	82
Deferred Income	**19**	22
Other payables	**848**	877
	938	981

Other payables includes acquisition accounting market value lease adjustments and a number of employee-related liabilities.

31. Net debt

	Listing exchange	2018 £m	2017 £m
Current assets:			
Liquid investments		**84**	78
Cash and cash equivalents		**3,874**	3,833
Cash and cash equivalents reported in Assets held for sale		**485**	–
		4,443	3,911
Short-term borrowings:			
Commercial paper		**(630)**	(529)
Bank loans and overdrafts		**(290)**	(236)
Obligations under finance leases		**(24)**	(23)
Drawn bank facility		**(3,500)**	–
5.650% US$ US Medium Term Note 2018	New York Stock Exchange	**–**	(2,037)
0.625% € European Medium Term Note 2019	London Stock Exchange	**(1,349)**	–
		(5,793)	(2,825)
Long-term borrowings:			
0.625% € European Medium Term Note 2019	London Stock Exchange	**–**	(1,324)
EURIBOR +0.20% € European Medium Term Note 2020	London Stock Exchange	**(677)**	–
0.000% € European Medium Term Note 2020	London Stock Exchange	**(1,079)**	(1,060)
3.125% US$ US Medium Term Note 2021	New York Stock Exchange	**(980)**	–
LIBOR +0.35% US$ US Medium Term Note 2021	New York Stock Exchange	**(589)**	–
2.850% US$ US Medium Term Note 2022	New York Stock Exchange	**(1,568)**	(1,474)
2.800% US$ US Medium Term Note 2023	New York Stock Exchange	**(978)**	(919)
3.375% US$ US Medium Term Note 2023	New York Stock Exchange	**(977)**	–
1.375% € European Medium Term Note 2024	London Stock Exchange	**(893)**	(876)
4.000% € European Medium Term Note 2025	London Stock Exchange	**(670)**	(659)
3.625% US$ US Medium Term Note 2025	New York Stock Exchange	**(780)**	–
1.000% € European Medium Term Note 2026	London Stock Exchange	**(629)**	(617)
1.250% € European Medium Term Note 2026	London Stock Exchange	**(897)**	–
3.375% £ European Medium Term Note 2027	London Stock Exchange	**(593)**	(593)
3.875% US$ US Medium Term Note 2028	New York Stock Exchange	**(1,372)**	–
1.375% € European Medium Term Note 2029	London Stock Exchange	**(447)**	(439)
1.750% € European Medium Term Note 2030	London Stock Exchange	**(673)**	–

5.250% £ European Medium Term Note 2033	London Stock Exchange	**(982)**	(986)
5.375% US$ US Medium Term Note 2034	New York Stock Exchange	**(390)**	(368)
6.375% US$ US Medium Term Note 2038	New York Stock Exchange	**(2,143)**	(2,021)
6.375% £ European Medium Term Note 2039	London Stock Exchange	**(694)**	(695)
5.250% £ European Medium Term Note 2042	London Stock Exchange	**(986)**	(989)
4.200% US$ US Medium Term Note 2043	New York Stock Exchange	**(386)**	(363)
4.250% £ European Medium Term Note 2045	London Stock Exchange	**(788)**	(789)
Obligations under finance leases		**(44)**	(43)
Other long-term borrowings		**(56)**	(49)
		(20,271)	(14,264)
Net debt		**(21,621)**	(13,178)

31. Net debt continued

Current assets
Liquid investments are classified as financial assets at amortised cost (previously available-for-sale investments in prior years). At 31 December 2018, they included US Treasury Notes and other government bonds. The effective interest rate on liquid investments at 31 December 2018 was approximately 1.0% (2017 – approximately 1.0%). Liquid investment balances at 31 December 2018 earning interest at floating rates amount to £84 million (2017 – £78 million). Liquid investment balances at 31 December 2018 earning interest at fixed rates amount to £nil (2017 – £nil).

The effective interest rate on cash and cash equivalents at 31 December 2018 was approximately 1.9% (2017 – approximately 1.3%). Cash and cash equivalents at 31 December 2018 earning interest at floating and fixed rates amount to £4,094 million and £2 million respectively (2017 – £3,832 million and £1 million) and non-interest bearing holdings amount to £263 million.

GSK's policy regarding the credit quality of cash and cash equivalents is referred to in Note 42, 'Financial instruments and related disclosures'.

Short-term borrowings
GSK has a $10 billion (£7.9 billion) US commercial paper programme, of which $0.8 billion (£0.6 billion) was in issue at 31 December 2018 (2017 – $0.7 billion (£0.5 billion)). GSK has a £1.9 billion five-year committed facility and $2.5 billion (£2.0 billion) under a 364 day committed facility. The five-year committed facility was agreed in September 2015 and extended by one year to 2021 in September 2016. The 364 day committed facility was agreed in September 2018. Additional bank facilities were agreed in 2018 to support transactions and two remained active at 31 December 2018. In June 2018, £3.5 billion was drawn to support the acquisition from Novartis of the remaining stake in the Consumer Healthcare Joint Venture. In addition, a $5.0 billion bank facility was agreed in December 2018 to support the acquisition of Tesaro and was undrawn at 31 December 2018. Liquid investments, cash and cash equivalents were as shown in the table on page 184.

The weighted average interest rate on commercial paper borrowings at 31 December 2018 was 2.5% (2017 – 1.5%).

The weighted average interest rate on current bank loans and overdrafts at 31 December 2018 was 12.0% (2017 – 4.7%). At 31 December 2018, short-term loan rates of 60% in Argentina had a disproportionate effect on the weighted average interest rate. Excluding this impact the weighted average interest rate on current bank loans and overdrafts stands at 4.4%.

The average effective pre-swap interest rate of notes classified as short term at 31 December 2018 was 0.8% (2017 – 5.9%). The material decrease in the rate largely reflects the maturity of a 5.65% coupon note in May 2018 and the upcoming maturity of a 0.625% coupon note in December 2019.

Long-term borrowings
At the year-end, GSK had long-term borrowings of £20.3 billion (2017 – £14.3 billion), of which £13.3 billion (2017 – £10.3 billion) falls due in more than five years. The average effective pre-swap interest rate of all notes in issue at 31 December 2018 was approximately 4.4% (2017 – approximately 3.6%).

Long-term borrowings repayable after five years carry interest at effective rates between 1.1% and 6.4%, with repayment dates ranging from 2024 to 2045.

Pledged assets
The Group held pledged investments in US Treasury Notes with a par value of $50 million (£39 million), (2017 – $105 million (£78 million)) as security against irrevocable letters of credit issued on the Group's behalf in respect of the Group's self-insurance activity. Provisions in respect of self-insurance are included within the provisions for legal and other disputes discussed in Note 29, 'Other provisions'. In addition, in 2017, £20 million of assets included in Note 22, 'Other non-current assets', which do not form part of Net debt, were pledged as collateral against future rental payments under operating lease arrangements which were previously entered into by Human Genome Sciences, Inc. prior to its acquisition by the Group, and terminated in 2018.

Finance lease obligations

	2018 £m	2017 £m
Rental payments due within one year	**29**	25
Rental payments due between one and two years	**20**	29
Rental payments due between two and three years	**13**	9
Rental payments due between three and four years	**7**	3
Rental payments due between four and five years	**4**	2

Rental payments due after five years	**11**	10
Total future rental payments	**84**	78
Future finance charges	**(16)**	(12)
Total finance lease obligations	**68**	66

Notes to the financial statements continued

32. Contingent liabilities

At 31 December 2018, contingent liabilities, comprising guarantees, discounted bills and other items arising in the normal course of business, amounted to £93 million (2017 – £434 million). At 31 December 2018, £nil (2017 – £2 million) of financial assets were pledged as collateral for contingent liabilities. Provision is made for the outcome of tax, legal and other disputes where it is both probable that the Group will suffer an outflow of funds and it is possible to make a reliable estimate of that outflow. At 31 December 2018, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote. Descriptions of the significant legal and other disputes to which the Group is a party are set out in Note 45, 'Legal proceedings'.

33. Share capital and share premium account

	Ordinary Shares of 25p each		Share premium
	Number	£m	£m
Share capital authorised			
At 31 December 2016	10,000,000,000	2,500	
At 31 December 2017	10,000,000,000	2,500	
At 31 December 2018	10,000,000,000	2,500	
Share capital issued and fully paid			
At 1 January 2016	5,361,307,647	1,340	2,831
Issued under employee share schemes	7,008,415	2	87
Ordinary shares acquired by ESOP Trusts	–	–	36
At 31 December 2016	5,368,316,062	1,342	2,954
Issued under employee share schemes	4,237,758	1	55
Ordinary shares acquired by ESOP Trusts	–	–	10
At 31 December 2017	5,372,553,820	1,343	3,019
Issued under employee share schemes	6,513,804	2	72
At 31 December 2018	5,379,067,624	1,345	3,091

	31 December 2018 000	31 December 2017 000
Number of shares issuable under employee share schemes	**56,723**	38,647
Number of unissued shares not under option	**4,564,209**	4,588,799

At 31 December 2018, of the issued share capital, 41,530,909 shares were held in the ESOP Trusts, 414,605,950 shares were held as Treasury shares and 4,922,930,765 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 43, 'Employee share schemes'.

34. Movements in equity

Retained losses and other reserves amounted to £76 million at 31 December 2018 (2017 – £4,430 million loss; 2016 – £3,172 million loss) of which £337 million (2017 – £334 million; 2016 – £329 million) relates to joint ventures and associated undertakings. The cumulative translation exchange in equity is as follows:

	Net translation exchange included in:			
	Retained earnings £m	Fair value reserve £m	Non-controlling interests £m	**Total translation exchange £m**
At 1 January 2016	(761)	10	(109)	**(860)**
Exchange movements on overseas net assets	633	13	603	**1,249**
At 31 December 2016	(128)	23	494	**389**
Exchange movements on overseas net assets	462	–	(149)	**313**
Reclassification of exchange on liquidation or disposal of overseas subsidiaries	109	–	–	**109**
At 31 December 2017	443	23	345	**811**
Exchange movements on overseas net assets	(458)	(22)	(1)	**(481)**
At 31 December 2018	(15)	1	344	**330**

The analysis of other comprehensive income by equity category is as follows:

2018	Retained earnings £m	Other reserves £m	Non-controlling interests £m	**Total £m**
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	(458)	(22)	–	**(480)**
Fair value movements on cash flow hedges	–	140	–	**140**
Reclassification of cash flow hedges on income and expense	–	(175)	–	**(175)**
Deferred tax on fair value movements on cash flow hedges	–	(22)	–	**(22)**
Deferred tax reversed on reclassification of cash flow hedges	–	20	–	**20**
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(1)	**(1)**
Fair value movements on equity investments	–	180	–	**180**
Deferred tax on fair value movements on equity investments	–	10	–	**10**
Remeasurement gains on defined benefit plans	728	–	–	**728**
Tax on remeasurement gains in defined benefit plans	(146)	–	–	**(146)**
Other comprehensive income/(expense) for the year	124	131	(1)	**254**

2017	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	462	–	–	462
Reclassification of exchange on liquidation or disposal of overseas subsidiaries	109	–	–	109
Fair value movements on available-for-sale investments	–	(14)	–	(14)
Reclassification of fair value movements on available-for-sale investments	–	(42)	–	(42)
Deferred tax on fair value movements on available-for-sale investments	–	47	–	47
Deferred tax reversed on reclassification of available-for-sale investments	–	(18)	–	(18)
Fair value movements on cash flow hedges	–	(10)	–	(10)
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	(149)	(149)

Remeasurement gains on defined benefit plans	549	–	–	549
Tax on remeasurement gains in defined benefit plans	(221)	–	–	(221)
Other comprehensive income/(expense) for the year	899	(37)	(149)	713

Notes to the financial statements continued

34. Movements in equity continued

2016	Retained earnings £m	Other reserves £m	Non-controlling interests £m	Total £m
Items that may be subsequently reclassified to income statement:				
Exchange movements on overseas net assets and net investment hedges	633	13	–	646
Fair value movements on available-for-sale investments	–	251	–	251
Reclassification of fair value movements on available-for-sale investments	–	(245)	–	(245)
Deferred tax reversed on reclassification of available-for-sale investments	–	51	–	51
Reclassification of cash flow hedges to income statement	–	1	–	1
Fair value movements on cash flow hedges	–	2	–	2
Deferred tax on fair value movements on cash flow hedges	–	2	–	2
Items that will not be reclassified to income statement:				
Exchange movements on overseas net assets of non-controlling interests	–	–	603	603
Remeasurement losses on defined benefit plans	(475)	–	–	(475)
Tax on remeasurement losses in defined benefit plans	126	–	–	126
Other comprehensive income for the year	284	75	603	962

The analysis of other reserves is as follows:

	ESOP Trust shares £m	Fair value reserve £m	Cash flow hedge reserve £m	Other reserves £m	Total £m
At 1 January 2016	(75)	295	(9)	2,129	**2,340**
Exchange adjustments	(16)	–	–	–	**(16)**
Transferred to income and expense in the year on disposals	–	(268)	–	–	**(268)**
Transferred to income and expense in the year on impairments	–	23	–	–	**23**
Net fair value movement in the year	–	330	6	–	**336**
Ordinary shares acquired by ESOP Trusts	(576)	–	–	–	**(576)**
Write-down of shares held by ESOP Trusts	381	–	–	–	**381**
At 31 December 2016	(286)	380	(3)	2,129	**2,220**
Exchange adjustments	22	–	–	–	**22**
Transferred to income and expense in the year on disposals	–	(42)	–	–	**(42)**
Net fair value movement in the year	–	(9)	(8)	–	**(17)**
Ordinary shares acquired by ESOP Trusts	(656)	–	–	–	**(656)**
Write-down of shares held by ESOP Trusts	520	–	–	–	**520**
At 31 December 2017	(400)	329	(11)	2,129	**2,047**
Implementation of IFRS 9	–	(288)	–	–	**(288)**
At 31 December, as adjusted	(400)	41	(11)	2,129	**1,759**
Exchange adjustments	(26)	–	–	–	**(26)**
Transferred to Retained earnings in the year on disposal of equity investments	–	(94)	–	–	**(94)**
Net fair value movement in the year	–	193	(36)	–	**157**
Write-down of shares held by ESOP Trusts	265	–	–	–	**265**
At 31 December 2018	(161)	140	(47)	2,129	**2,061**

Other reserves include various non-distributable merger and pre-merger reserves amounting to £1,849 million at 31 December 2018 (2017 – £1,849 million; 2016 – £1,849 million). Other reserves also include the capital redemption reserve created as a result of the share buy-back programme amounting to £280 million at 31 December 2018 (2017 – £280 million; 2016 – £280 million).

35. Related party transactions

At 31 December 2018, GSK owned 32 million shares or 31.7% of Innoviva Inc. which is a biopharmaceutical company listed on NASDAQ. GSK began recognising Innoviva as an associate on 1 September 2015. The royalties due from GSK to Innoviva in the year were £209 million (2017 – £173 million). At 31 December 2018, the balance payable by GSK to Innoviva was £64 million (2017 – £53 million).

At 31 December 2018, GSK held a 50% interest in Japan Vaccine Co. Ltd (JVC) through its subsidiary GlaxoSmithKline K.K. This joint venture with Daiichi Sankyo Co., Ltd is primarily responsible for the development and marketing of certain prophylactic vaccines in Japan. During 2018, GSK sold £43 million (2017 – £41 million) of its vaccine products into the joint venture. At 31 December 2018, the trading balance due to GSK from JVC was £15 million (2017 – £11 million) and the balance payable by GSK to JVC was £nil (2017 – £nil).

Loans of £5 million to Medicxi Ventures I LP and £6 million to Index Ventures Life VI (Jersey) LP remained due to GSK at 31 December 2018. In 2018, GSK increased the equity investment in the Kurma Biofund II, FCPR by £3 million, Apollo Therapeutics LLP by £2 million and Longwood Founders Fund LP by £0.2 million, and reduced a liability with Qura Therapeutics LLC by £3 million. As at 31 December 2018, the outstanding liability to Qura was £4 million.

The aggregate compensation of the Directors and CET is given in Note 9, ‘Employee costs’.

36. Adjustments reconciling profit after tax to operating cash flows

	2018 £m	2017 £m	2016 £m
Profit after tax	**4,046**	2,169	1,062
Tax on profits	**754**	1,356	877
Share of after tax profits of associates and joint ventures	**(31)**	(13)	(5)
Finance expense net of finance income	**717**	669	664
Depreciation	**954**	988	978
Amortisation of intangible assets	**902**	934	796
Impairment and assets written off	**350**	1,061	226
Profit on sale of businesses	**(63)**	(157)	(5)
Profit on sale of intangible assets	**(201)**	(46)	(178)
Profit on sale of investments in associates	**(3)**	(94)	–
Profit on sale of equity investments	**(4)**	(37)	(254)
Gain on Consumer Healthcare Joint Venture put hedging	**(513)**	–	–
Business acquisition costs	**47**	–	–
Changes in working capital:			
Decrease/(increase) in inventories	**51**	(461)	70
Increase in trade receivables	**(429)**	(287)	(188)
Increase in trade payables	**131**	11	96
Decrease in other receivables	**18**	74	381
Contingent consideration paid (see Note •)	**(984)**	(594)	(358)
Other non-cash increase in contingent consideration liabilities	**1,250**	961	2,281
Increase in other payables	**2,362**	1,741	1,989
Increase/(decrease) in pension and other provisions	**102**	(255)	(621)
Share-based incentive plans	**360**	333	319
Fair value adjustments	**(7)**	–	(3)
Other	**(62)**	(95)	(21)
	5,701	6,089	7,044

Cash generated from operations	**9,747**	8,258	8,106

Notes to the financial statements continued

37. Reconciliation of net cash flow to movement in net debt

	2018 £m	2017 £m	2016 £m
Net debt at beginning of year	**(13,178)**	(13,804)	(10,727)
Increase/(decrease) in cash and bank overdrafts	**479**	(905)	(1,164)
Decrease in liquid investments	**–**	(4)	–
Net increase in long-term loans	**(10,138)**	(2,233)	–
Repayment of short-term Notes	**2,067**	2,636	865
(Increase in)/repayment of other short-term loans	**(81)**	564	(1,013)
Net repayment of obligations under finance leases	**28**	23	18
Exchange adjustments	**(776)**	585	(1,781)
Other non-cash movements	**(22)**	(40)	(2)
Movement in net debt	**(8,443)**	626	(3,077)
Net debt at end of year	**(21,621)**	(13,178)	(13,804)

Analysis of changes in net debt	At 1 January 2018 £m	Exchange £m	Other £m	Profit and loss £m	Reclass-ifications £m	Cash flow £m	At 31 December 2018 £m
Liquid investments	78	5	1	–	–	–	**84**
Cash and cash equivalents	3,833	4	–	–	(485)	522	**3,874**
Cash and cash equivalents – AHFS	–				485		**485**
Overdrafts	(233)	4	–	–	–	(43)	**(272)**
	3,600	8	–	–	–	479	**4,087**
Debt due within one year:							
Commercial paper	(529)	(36)	–	–	–	(65)	**(630)**
European/US Medium Term Notes and bank facilities	(2,037)	(55)	–	–	(4,824)	2,067	**(4,849)**
Other	(26)	(1)	(11)	–	(16)	12	**(42)**
	(2,592)	(92)	(11)	–	(4,840)	2,014	**(5,521)**
Debt due after one year:							
European/US Medium Term Notes and bank facilities	(14,221)	(696)	–	4	4,824	(10,138)	**(20,227)**
Other	(43)	(1)	(16)	–	16	–	**(44)**
	(14,264)	(697)	(16)	4	4,840	(10,138)	**(20,271)**
Net debt	(13,178)	(776)	(26)	4	–	(7,645)	**(21,621)**

Analysis of changes in liabilities from financing activities							
Debt due within one year	(2,592)	(92)	(11)	–	(4,840)	2,014	**(5,521)**
Debt due after one year	(14,264)	(697)	(16)	4	4,840	(10,138)	**(20,271)**
Hedge of borrowings:							
Derivative financial instruments	2	1	130	(10)	–	6	**129**
Other financing items	–	(19)	–	–	–	19	**–**
Interest payable	(203)	(2)	2	(802)	–	766	**(239)**
Total liabilities from financing activities	(17,057)	(809)	105	(808)	–	(7,333)	**(25,902)**

For further information on significant changes in net debt see Note 31, ‘Net debt’.

38. Acquisitions and disposals

Details of the acquisition and disposal of significant subsidiaries and associates, joint ventures and other businesses are given below:

2018

Business acquisitions

There were no business acquisitions during 2018.

Business disposals

GSK made a number of small business disposals during the year for a net cash consideration of £2 million.

Cash flows

	Business disposals £m	Associates and joint venture investments £m	Associates and joint venture disposals £m
Cash consideration	2	(10)	3
Net deferred consideration received	24	–	–
Cash and cash equivalents divested	–	–	–
Cash inflow	26	(10)	3

Transactions signed but not yet completed

In December 2018, GSK agreed to divest *Horlicks* and other Consumer Healthcare nutrition brands to Unilever plc and to merge GSK Consumer Healthcare Limited with Hindustan Unilever Limited for a total consideration valued at approximately £3.1 billion. GSK Consumer Healthcare Limited is a public company listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India, in which GSK holds a 72.5% stake. Hindustan Unilever Limited is a public company listed on the NSE and BSE. Following the merger, GSK will own approximately 5.7% of Hindustan Unilever Limited. The transaction is expected to complete by the end of 2019, subject to the fulfilment of certain conditions including the approval of the merger by the shareholders of GSK Consumer Healthcare Limited and Hindustan Unilever Limited.

The Group has entered into forward foreign exchange contracts which have been designated as a cash flow hedge of part of the foreign exchange exposure arising on the transaction. In addition, the exposure to share price movements in the forward purchase of shares in Hindustan Unilever Limited has been recognised as an embedded derivative. The embedded derivative was in an asset position and had a fair value of £100 million at 31 December 2018.

In December 2018, GSK agreed to acquire 100% of Tesaro, Inc., an oncology-focused biopharmaceutical company, for $5.1 billion (£4.0 billion) in cash. This transaction completed on 22nd January 2019. The exercise to determine the acquisition fair values of assets and liabilities is not yet complete. Initial transaction costs were recognised in December 2018.

In December 2018, GSK agreed to form a new Consumer Healthcare Joint Venture by acquiring Pfizer's consumer health business in an all-share transaction. Pfizer will hold 32% of the combined business which will be controlled by GSK. The new Consumer Healthcare Joint Venture is expected to be formed in the second half of 2019, subject to approvals. Initial transaction costs were recognised in December 2018.

Notes to the financial statements continued

38. Acquisitions and disposals continued

2017

Business acquisitions

There were no business acquisitions during 2017.

Business disposals

GSK made a number of small business disposals during the year for a net cash consideration of £342 million, including contingent consideration receivable of £86 million. The profit on disposal was determined as follows:

	Total £m
Consideration including currency forwards and purchase adjustments	342
Net assets sold:	
Goodwill	(16)
Intangible assets	(21)
Property, plant and equipment	(18)
Inventory	(11)
Cash and cash equivalents	(6)
Other net assets	(5)
	(77)
Transaction costs	(8)
Reclassification of exchange from other comprehensive income	(100)
Profit on disposal	157

Investment in associates and joint ventures

During the year, GSK made cash investments of £15 million into associates and joint ventures. In addition, GSK sold its holdings in two associates for £198 million in cash.

	Total £m
Cash consideration	198
Net book value of shares	(92)
Reclassification of exchange from other comprehensive income	(7)
Transaction costs	(5)
Profit on disposal	94

Cash flows

	Business disposals £m	Associates and joint venture investments £m	Associates and joint venture disposals £m
Cash consideration	256	(15)	198
Net deferred consideration received	39	–	–
Cash and cash equivalents divested	(6)	–	–
Transaction costs paid	(7)	–	(2)
Cash inflow	282	(15)	196

38. Acquisitions and disposals continued

2016

Business acquisitions

GSK completed two small business acquisitions during 2016.

Cash consideration of £24 million was paid in the year to acquire the HIV R&D preclinical and discovery stage portfolio from Bristol Myers Squibb. Further consideration, contingent on commercial milestones and future sales performance, may be due, and an initial estimate of £40 million was recognised for this contingent consideration. Intangible assets acquired were valued at £57 million and goodwill of £7 million was recognised.

GSK formed Galvani Bioelectronics Limited during the year and acquired intangible assets of £45 million and cash and cash equivalents of £41 million from Verily Life Sciences LLC in return for a 45% shareholding in Galvani Bioelectronics. The fair value of this shareholding was £47 million, and GSK also recognised a credit of £39 million in non-controlling interests representing Verily's share of the net assets it contributed.

Business disposals

GSK also made a number of small business disposals in the year for net cash consideration of £72 million. In addition, deferred consideration receivable of £43 million was recognised.

Cash flows

	Business acquisitions £m	Business disposals £m
Cash consideration (paid)/received after purchase adjustments	(24)	72
Cash and cash equivalents acquired	41	–
Cash inflow	17	72

In addition, GSK made cash investments of £11 million into associates and joint ventures.

Notes to the financial statements continued

39. Contingent consideration liabilities

The consideration for certain acquisitions includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

	Shionogi-ViiV Healthcare £m	Novartis Vaccines £m	Other £m	**Total £m**
At 1 January 2016	3,409	405	41	**3,855**
Additions through business combinations	154	–	40	**194**
Remeasurement through income statement	2,162	152	(33)	**2,281**
Cash payments: operating cash flows	(351)	(5)	(2)	**(358)**
Cash payments: investing activities	(66)	(7)	–	**(73)**
Other movements	(4)	–	1	**(3)**
At 31 December 2016	5,304	545	47	**5,896**
Remeasurement through income statement	909	53	(1)	**961**
Cash payments: operating cash flows	(587)	(7)	–	**(594)**
Cash payments: investing activities	(84)	(7)	–	**(91)**
At 31 December 2017	5,542	584	46	**6,172**
Remeasurement through income statement	1,188	56	7	**1,251**
Cash payments: operating cash flows	(703)	(281)	–	**(984)**
Cash payments: investing activities	(90)	(63)	–	**(153)**
At 31 December 2018	5,937	296	53	**6,286**

Of the contingent consideration payable at 31 December 2018, £837 million (2017 – £1,076 million) is expected to be paid within one year. The contingent consideration payable in respect of the Novartis Vaccines business included a sales milestone of $450 million which was settled in January 2018.

The consideration payable for the acquisition of the Shionogi-ViiV Healthcare joint venture and the Novartis Vaccines business is expected to be paid over a number of years. As a result, the total estimated liabilities are discounted to their present values, shown above. The Shionogi-ViiV Healthcare contingent consideration liability is discounted at 8.5% and the Novartis Vaccines contingent consideration liability is discounted partly at 8% and partly at 9%.

The Shionogi-ViiV Healthcare and Novartis Vaccines contingent consideration liabilities are calculated principally based on the forecast sales performance of specified products over the lives of those products.

The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in key inputs to the valuations of the contingent consideration liabilities.

Increase/(decrease) in financial liability and loss/(gain) in Income statement	Shionogi-ViiV Healthcare £m	Novartis Vaccines £m
10% increase in sales forecasts	569	62
10% decrease in sales forecasts	(569)	(62)
1% increase in discount rate	(238)	(22)
1% decrease in discount rate	256	26
5% increase in probability of milestone success		7
5% decrease in probability of milestone success		(7)
10 cent appreciation of US Dollar	367	(13)
10 cent depreciation of US Dollar	(313)	11
10 cent appreciation of Euro	114	29

10 cent depreciation of Euro	(95)	(25)

An explanation of the accounting for ViiV Healthcare is set out on page 41.

40. Non-controlling interests

ViiV Healthcare

The ViiV Healthcare subgroup has a material non-controlling interest. Summarised financial information in respect of the ViiV Healthcare group is as follows:

	2018 £m	2017 £m	2016 £m
Turnover	**4,665**	4,269	3,527
Profit/(loss) after taxation	**560**	825	(1,249)
Other comprehensive income	**19**	20	36
Total comprehensive income/(expense)	**579**	845	(1,213)

	2018 £m	2017 £m
Non-current assets	**2,787**	2,736
Current assets	**2,643**	2,533
Total assets	**5,430**	5,269
Current liabilities	**(2,638)**	(2,409)
Non-current liabilities	**(8,895)**	(8,011)
Total liabilities	**(11,533)**	(10,420)
Net liabilities	**(6,103)**	(5,151)

	2018 £m	2017 £m	2016 £m
Net cash inflow from operating activities	**2,212**	2,132	1,750
Net cash outflow from investing activities	**(237)**	(207)	(326)
Net cash outflow from financing activities	**(1,982)**	(1,820)	(1,023)
(Decrease)/increase in cash and bank overdrafts in the year	**(7)**	105	401

The above financial information relates to the ViiV Healthcare group on a stand-alone basis, before the impact of Group-related adjustments, primarily related to the recognition of preferential dividends. The profit after taxation of £560 million (2017 – profit after taxation of £825 million; 2016 – loss after taxation of £1,249 million) is stated after charging preferential dividends payable to GSK, Shionogi and Pfizer and after a charge of £1,194 million (2017 – £909 million; 2016 – £2,186 million) for remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture. This consideration is expected to be paid over a number of years.

The following amounts attributable to the ViiV Healthcare group are included in GSK's Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated balance sheet:

	2018 £m	2017 £m	2016 £m
Total comprehensive income/(expense) for the year attributable to non-controlling interests	**254**	187	(83)
Dividends paid to non-controlling interests	**332**	316	152
Non-controlling interests in the Consolidated balance sheet	**(543)**	(476)	

Notes to the financial statements continued

40. Non-controlling interests continued

Consumer Healthcare Joint Venture

During 2018, the Group acquired Novartis' interest in the Consumer Healthcare Joint Venture to obtain 100% ownership. The acquisition became unconditional on 3 May 2018 and completed on 1 June 2018. Summarised financial information in respect of the Consumer Healthcare Joint Venture is as follows:

	Period ended 3 May 2018 £m	2017 £m	2016 £m
Turnover	**2,306**	7,003	6,530
Profit after taxation	**7**	1,211	660
Other comprehensive (expense)/income	**(79)**	(387)	1,640
Total comprehensive (expense)/income	**(72)**	824	2,300

	2017 £m
Non-current assets	12,771
Current assets	3,282
Total assets	16,053
Current liabilities	(2,675)
Non-current liabilities	(1,537)
Total liabilities	(4,212)
Net assets	11,841

	Period ended 3 May 2018 £m	2017 £m	2016 £m
Net cash inflow from operating activities	**65**	883	1,496
Net cash inflow/(outflow) from investing activities	**442**	270	(537)
Net cash outflow from financing activities	**(504)**	(1,194)	(980)
Increase/(decrease) in cash and bank overdrafts in the year	**3**	(41)	(21)

The above financial information relates to the Consumer Healthcare Joint Venture on a stand-alone basis, before the impact of Group-related adjustments but after major restructuring charges.

The following amounts attributable to the Consumer Healthcare Joint Venture are included in GSK's Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated balance sheet:

	2018 £m	2017 £m	2016 £m
Total comprehensive income for the year attributable to non-controlling interests	**111**	296	730
Dividends paid to non-controlling interests	**183**	420	346
Non-controlling interests in the Consolidated balance sheet	**–**	3,631	

41. Commitments

Contractual obligations and commitments	2018 £m	2017 £m
Contracted for but not provided in the financial statements:		
Intangible assets	**4,762**	5,254
Property, plant and equipment	**665**	584
Investments	**82**	107
Purchase commitments	**561**	346
Pensions	**238**	738
Other commitments	**–**	38
Interest on loans	**9,418**	8,510
Finance lease charges	**16**	12
	15,742	15,589

The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, are achieved. The amounts are not risk-adjusted or discounted. The decrease in intangible commitments in 2018 is mainly attributable to the reduction in commitments to third parties such as Nkarta, Inc.

In 2018, GSK reached an agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficit identified at the 31 December 2017 actuarial funding valuation. A payment of £75 million is due in both 2019 and 2020 and a payment of £44 million is due in both 2021 and 2022. The table above includes this commitment, but excludes the normal ongoing annual funding requirement in the UK of approximately £140 million.

The Group also has other commitments which principally relate to revenue payments to be made under licences and other alliances.

Commitments in respect of future interest payable on loans are disclosed before taking into account the effect of interest rate swaps.

Commitments under non-cancellable operating leases are disclosed below. £161 million (2017 – £117 million) is provided against these commitments on the Group's balance sheet.

Commitments under non-cancellable operating leases	2018 £m	2017 £m
Rental payments due within one year	**223**	186
Rental payments due between one and two years	**173**	149
Rental payments due between two and three years	**143**	122
Rental payments due between three and four years	**123**	107
Rental payments due between four and five years	**105**	94
Rental payments due after five years	**371**	387
Total commitments under non-cancellable operating leases	**1,138**	1,045

Notes to the financial statements continued

42. Financial instruments and related disclosures

The objective of our Treasury activity is to minimise the post-tax net cost of financial operations and reduce its volatility to benefit earnings and cash flows. GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. Derivatives principally comprise of foreign exchange forward contracts and swaps which are used to swap borrowings and liquid assets into currencies required for Group purposes as well as interest rate swaps which are used to manage exposure to financial risks from changes in interest rates. These financial instruments reduce the uncertainty of foreign currency transactions and interest payments.

Derivatives are used exclusively for hedging purposes in relation to underlying business activities and not as trading or speculative instruments.

Capital management

GSK's financial strategy supports the Group's strategic priorities and is regularly reviewed by the Board. GSK manages the capital structure of the Group through an appropriate mix of debt and equity.

The capital structure of the Group consists of net debt of £21.6 billion (see Note 31, 'Net debt') and total equity, including items related to non-controlling interests, of £3.7 billion (see 'Consolidated statement of changes in equity' on page 142). Total capital, including that provided by non-controlling interests, is £25.3 billion.

The Group continues to manage its financial policies to a credit profile that particularly targets short-term credit ratings of A-1 and P-1 while maintaining single A long-term ratings consistent with those targets. The Group's long-term credit rating with Standard and Poor's is A+ (negative outlook) and with Moody's Investor Services ('Moody's') it is A2 (negative outlook). The Group's short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to financial markets.

At 31 December 2018, GSK had £5.8 billion of borrowings repayable within one year and held £4.5 billion of cash and cash equivalents and liquid investments of which £2.9 billion was held centrally. GSK has access to short-term finance under a $10.0 billion (£7.9 billion) US commercial paper programme; $0.8 billion (£0.6 billion) was in issue at 31 December 2018 (2017 – $0.7 billion). GSK has a £1.9 billion five-year committed facility and a $2.5 billion (£2.0 billion) 364-day committed facility. The five-year committed facility was agreed in September 2015 and was extended by one year to 2021 in September 2016. The 364-day committed facility was agreed in

In addition a $5.0 billion bank facility was agreed in December 2018 to support the acquisition of Tesaro and was undrawn at 31 December 2018. This 12-month facility includes two six-month extension options.

GSK has a £20.0 billion European Medium Term Note programme and at 31 December 2018, £11.4 billion of notes were in issue under this programme. The Group also had $12.9 billion (£10.2 billion) of notes in issue at 31 December 2018 under a US shelf registration. GSK's borrowings mature at dates between 2019 and 2045.

The put option owned by Pfizer in ViiV Healthcare is exercisable. In reviewing liquidity requirements GSK considers that sufficient financing options are available should the put option be exercised.

Market risk

Interest rate risk management

The objective of GSK's Treasury activity is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating rates over time.

The Group's main interest rate risk arises from borrowings and investments with floating rates and refinancing of maturing fixed rate debt where any changes in interest rates will affect future cash flows or the fair values of financial instruments. The policy on interest rate risk management limits the net amount of floating rate debt to a specific cap, reviewed and agreed no less than annually by the Board.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge. This includes some borrowings for which interest rate swaps are in place which removes the impact of the associated periodic repricing. Short-term borrowings including bank facilities are exposed to the risk of future changes in market interest rate as are the majority of cash and liquid investments.

Foreign exchange risk management

Foreign currency transaction exposures arising on external trade flows are not normally hedged. Foreign currency transaction exposures arising on internal trade flows are selectively hedged. The Group's objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. GSK's internal trading transactions are matched centrally and inter-company payment terms are managed to reduce foreign currency risk. Foreign currency cash flows can be hedged selectively including hedges of the foreign exchange risk arising from acquisitions and disposals of assets. Where possible, GSK manages the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, the Group seeks to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US Dollars,

September 2018. These facilities were undrawn at 31 December 2018. GSK considers this level of committed facilities to be adequate, given current liquidity requirements.

Additional bank facilities were agreed in 2018 to support transactions and two remain active at 31 December 2018. In June 2018, £3.5 billion was drawn to support the acquisition from Novartis of the remaining stake in the Consumer Healthcare Joint Venture. This facility, which is due to mature in December 2019 includes one extension option through to June 2020.

Euros and Sterling. Borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas assets (see 'Net investment hedges' section of this note for further details).

42. Financial instruments and related disclosures continued

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises on cash and cash equivalents, favourable derivative financial instruments held with banks and financial institutions as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The Group considers its maximum credit risk at 31 December 2018 to be £11,080 million (31 December 2017 – £9,988 million) which is the total of the Group's financial assets with the exception of 'Other investments' (comprising equity investments) which bear equity risk rather than credit risk. See page 201 for details on the Group's total financial assets. At 31 December 2018, GSK's greatest concentration of credit risk was £0.7 billion with Citibank (A+/A1) (2017 – £0.5 billion with Citibank (A/A1) and £0.5 billion with one US wholesaler (BBB+/Baa2)).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for financial assets at amortised cost since the adoption of IFRS 9 at the start of the current reporting period.

Treasury-related credit risk

GSK sets global counterparty limits for each of GSK's banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Usage of these limits is monitored daily.

GSK actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of GSK's strategy to regionalise cash management and to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives.

The gross asset position on each derivative contract is considered for the purpose of this table, although, under ISDA agreements, the amount at risk is the net position with each counterparty. Table (e) on page 208 sets out the Group's financial assets and liabilities on an offset basis.

At 31 December 2018, £20 million of cash is categorised as held with unrated or sub-investment grade rated counterparties (lower than BBB-/Baa3) of which £1 million is cash in transit. The remaining exposure is concentrated in overseas banks used for local cash management or investment purposes, including £6 million in Nigeria held with United Bank for Africa, Zenith Bank, Stanbic IBTC Bank and First Bank of Nigeria, £3 million with BTV in Austria, £2 million with Nacion Argentina bank, and £2 million with Banco de la Republica in Uruguay. Of the £381 million of bank balances and deposits held with BBB/Baa rated counterparties, £22 million was held with BBB-/ Baa3 rated counterparties, including balances or deposits of £20 million with HDFC Bank in India and £1 million with State Bank of India. These banks are used for local investment purposes.

GSK measures expected credit losses over cash and cash equivalents as a function of individual counterparty credit ratings and associated 12 month default rates. Expected credit losses over cash and cash equivalents and third-party financial derivatives are deemed to be immaterial and no such loss has been experienced during 2018.

2018	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	**Total £m**
Bank balances and deposits	–	662	1,275	381	20	**2,338**
US Treasury and Treasury repo only money market funds	449	–	–	–	–	**449**
Liquidity funds	1,572	–	–	–	–	**1,572**
Government securities	–	83	–	1	–	**84**
3rd party financial derivatives	–	19	127	4	–	**150**
Total	2,021	764	1,402	386	20	**4,593**

2017	AAA/Aaa £m	AA/Aa £m	A/A £m	BBB/Baa £m	BB+/Ba1 and below /unrated £m	Total £m
Bank balances and deposits	–	423	1,167	80	45	1,715
US Treasury and Treasury repo only money market funds	1,715	–	–	–	–	1,715
Liquidity funds	403	–	–	–	–	403
Government securities	–	77	–	1	–	78
3rd party financial derivatives	–	26	42	–	–	68

Total	2,118	526	1,209	81	45	3,979

Credit ratings are assigned by Standard and Poor's and Moody's respectively. Where the opinions of the two rating agencies differ, GSK assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard and Poor's or Moody's using published conversion tables. These credit ratings form the basis of the assessment of the expected credit loss on Treasury related balances held at amortised cost being bank balances and deposits and Government securities.

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

GSK's centrally managed cash reserves amounted to £2.9 billion at 31 December 2018, all available within three months. This includes £1.7 billion of cash managed by the Group for ViiV Healthcare, a 78.3% owned subsidiary. The Group has invested centrally managed liquid assets in bank deposits, Aaa/AAA rated US Treasury and Treasury repo only money market funds and Aaa/AAA rated liquidity funds.

Wholesale and retail credit risk
Outside the US, no customer accounts for more than 5% of the Group's trade receivables balance.

In the US, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesalers amounted to approximately 82% of the sales of the US Pharmaceuticals and Vaccines businesses in 2018. At 31 December 2018, the Group had trade receivables due from these three wholesalers totalling £2,134 million (2017 – £1,265 million). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results.

The Group's credit risk monitoring activities relating to these wholesalers include a review of their quarterly financial information and Standard & Poor's credit ratings, development of GSK internal risk ratings, and establishment and periodic review of credit limits.

All new customers are subject to a credit vetting process and existing customers will be subject to a review at least annually. The vetting process and subsequent reviews involves obtaining information including the customer's status as a government or private sector entity, audited financial statements, credit bureau reports, debt rating agency (e.g. Moody's, Standard & Poor's) reports, payment performance history (from trade references, industry credit groups) and bank references.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance is purchased or factoring arrangements put in place.

The amount of information obtained is proportional to the level of exposure being considered. The information is evaluated quantitatively (i.e., credit score) and qualitatively (i.e. judgement) in conjunction with the customer's credit requirements to determine a credit limit.

Trade receivables are grouped into customer segments that have similar loss patterns to assess credit risk while other receivables other financial assets are assessed individually. Historical and forward-looking information is considered to determine the appropriate expected credit loss allowance. The Group believes there is no further credit risk provision required in excess of the allowance

Credit enhancements
The Group uses credit enhancements including factoring and credit insurance to minimise credit risk of the trade receivables in the Group. During 2018, a new Global Insurance Programme was launched in order to consolidate all locally negotiated programmes and to expand the use of credit insurance to new markets. At 31 December 2018, £240 million of GSK trade receivables were insured protecting GSK's account receivables balance from loss due to credit risks such as default, insolvency and bankruptcy.

Each Group entity assesses the credit risk of its private customers to determine if credit insurance is required.

Factoring arrangements are managed locally by entities and are used to mitigate risk arising from large credit risk concentrations. All factoring arrangements are non-recourse.

Fair value of financial assets and liabilities

The table on pages 201 and 202 presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2018 and 31 December 2017.

The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Liquid investments – approximates to the carrying amount
- Other investments – equity investments traded in an active market determined by reference to the relevant stock exchange quoted bid price; other equity investments determined by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets
- Short-term loans, overdrafts and commercial paper – approximates to the carrying amount because of the short maturity of these instruments
- Long-term loans – based on quoted market prices (a level 1 fair value measurement) in the case of European and US Medium Term Notes; approximates to the carrying amount in the case of other fixed rate borrowings and floating rate bank loans
- Contingent consideration for business acquisitions – based on present values of expected future cash flows
- Interest rate swaps, foreign exchange forward contracts, swaps and options – based on the present value of contractual cash flows or option valuation models using market sourced data (exchange rates or interest rates) at the balance sheet date

for expected credit losses (see Note 24, ‘Trade and other receivables’).

- Receivables and payables, including put options – approximates to the carrying amount
- Company-owned life insurance policies – based on cash surrender value, and
- Lease obligations – approximates to the carrying amount.

42. Financial instruments and related disclosures continued

	Notes	2018 Carrying value £m	2018 Fair value £m
Financial assets measured at fair value through other comprehensive income (FVTOCI):			
Other investments designated at FVTOCI	a	**1,250**	**1,250**
Trade and other receivables	a,b	**1,687**	**1,687**
Financial assets measured at amortised cost:			
Other non-current assets	b	**49**	**49**
Trade and other receivables	b	**3,761**	**3,761**
Liquid investments		**84**	**84**
Cash and cash equivalents		**2,338**	**2,338**
Other items in Assets held for sale	b	**47**	**47**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):			
Other investments	a	**72**	**72**
Other non-current assets	a,b	**716**	**716**
Trade and other receiveables	a,b	**120**	**120**
Derivatives designated and effective as hedging instruments	a,d,e	**69**	**69**
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	**188**	**188**
Cash and cash equivalents	a	**2,021**	**2,021**
Total financial assets		**12,402**	**12,402**
Financial liabilities measured at amortised cost:			
Borrowings excluding obligations under finance leases:			
– bonds in a designated hedging relationship	d	**(8,213)**	**(8,279)**
– other bonds		**(13,307)**	**(15,475)**
– bank loans and overdrafts		**(290)**	**(290)**
– commercial paper		**(630)**	**(630)**
– other borrowings		**(3,556)**	**(3,556)**
Total borrowings excluding obligations under finance leases	f	**(25,996)**	**(28,230)**
Obligations under finance leases		**(68)**	**(68)**
Total borrowings		**(26,064)**	**(28,298)**
Trade and other payables	c	**(13,338)**	**(13,338)**
Other provisions	c	**(58)**	**(58)**
Other non-current liabilities	c	**(149)**	**(149)**
Other items in Assets held for sale	c	**(167)**	**(167)**
Financial liabilities mandatorily at fair value through profit or loss (FVTPL):			
Contingent consideration liabilities	a,c	**(6,286)**	**(6,286)**
Derivatives designated and effective as hedging instruments	a,d,e	**(105)**	**(105)**
Held for trading derivatives that are not in a designated and effective hedging relationship	a,d,e	**(23)**	**(23)**
Total financial liabilities		**(46,190)**	**(48,424)**
Net financial assets and financial liabilities		**(33,788)**	**(36,022)**

The valuation methodology used to measure fair value in the above table and the table on page 202 is described and categorised on page 200.

Trade and other receivables, Other non-current assets, Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and Other items in Assets held for sale are reconciled to the relevant Notes on pages 204 and 205.

Cash and cash equivalents in the table above include £485 million reported in Assets held for sale (see Note 26, ‘Assets held for sale’).

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

	Notes	2017 Carrying value £m	2017 Fair value £m
Available-for-sale investments:			
Liquid investments (Government bonds)	a	78	78
Other investments	a	918	918
Loans and receivables:			
Cash and cash equivalents		3,833	3,833
Trade and other receivables and Other non-current assets in scope of IAS 39	b	5,495	5,495
Financial assets at fair value through profit or loss:			
Trade and other receivables and Other non-current assets in scope of IAS 39	a,b	506	506
Derivatives designated as at fair value through profit or loss	a,d,e	5	5
Derivatives classified as held for trading under IAS 39	a,d,e	71	71
Total financial assets		10,906	10,906
Financial liabilities measured at amortised cost:			
Borrowings excluding obligations under finance leases:			
– bonds in a designated hedging relationship	d	(4,315)	(4,405)
– other bonds		(11,894)	(14,743)
– bank loans and overdrafts		(236)	(236)
– commercial paper		(529)	(529)
– other borrowings		(49)	(49)
Total borrowings excluding obligations under finance leases	f	(17,023)	(19,962)
Obligations under finance leases		(66)	(66)
Total borrowings		(17,089)	(20,028)
Trade and other payables, Other provisions and certain Other non-current liabilities in scope of IAS 39	c	(20,325)	(20,325)
Financial liabilities at fair value through profit or loss:			
Contingent consideration liabilities	a,c	(6,172)	(6,172)
Derivatives designated as at fair value through profit or loss	a,d,e	(26)	(26)
Derivatives classified as held for trading under IAS 39	a,d,e	(48)	(48)
Total financial liabilities		(43,660)	(46,599)
Net financial assets and financial liabilities		(32,754)	(35,693)

Fair value of investments in GSK shares

At 31 December 2018, the Employee Share Ownership Plan (ESOP) Trusts held GSK shares with a carrying value of £161 million (2017 – £400 million) and a market value of £619 million (2017 – £882 million) based on quoted market price. The shares are held by the ESOP Trusts to satisfy future exercises of options and awards under employee incentive schemes. In 2018, the carrying value, which is the lower of cost or expected proceeds, of these shares has been recognised as a deduction from other reserves. At 31 December 2018, GSK held Treasury shares at a cost of £5,800 million (2017 – £5,800 million) which has been deducted from retained earnings.

42. Financial instruments and related disclosures continued

(a) Financial instruments held at fair value

The following tables categorise the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3. Other investments classified as Level 3 in the tables below comprise equity investments in unlisted entities with which the Group has entered into research collaborations and also investments in emerging life science companies.

At 31 December 2018	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Financial assets at fair value				
Financial assets at fair value through other comprehensive income (FVTOCI):				
Other investments designated at FVTOCI	656	–	594	**1,250**
Trade and other receivables	–	1,687	–	**1,687**
Financial assets mandatorily measured at fair value through profit or loss (FVTPL):				
Other investments	–	–	72	**72**
Other non-current assets	–	675	41	**716**
Trade and other receivables	–	79	41	**120**
Derivatives designated and effective as hedging instruments	–	69	–	**69**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	182	6	**188**
Cash and cash equivalents	2,021	–	–	**2,021**
	2,677	2,692	754	**6,123**
Financial liabilities at fair value				
Financial liabilities mandatorily at fair value through profit or loss (FVTPL):				
Contingent consideration liabilities	–	–	(6,286)	**(6,286)**
Derivatives designated and effective as hedging instruments	–	(105)	–	**(105)**
Held for trading derivatives that are not in a designated and effective hedging relationship	–	(23)	–	**(23)**
	–	(128)	(6,286)	**(6,414)**

At 31 December 2017	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value				
Available-for-sale financial assets:				
Liquid investments	77	1	–	78
Other investments	535	–	383	918
Other non-current assets	–	–	38	38
Financial assets at fair value through profit or loss:				
Other non-current assets	–	382	44	426
Trade and other receivables	–	–	42	42
Derivatives designated as at fair value through profit or loss	–	5	–	5
Derivatives classified as held for trading under IAS 39	–	62	9	71
	612	450	516	1,578
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss:				

Contingent consideration liabilities	–	–	(6,172)	(6,172)
Derivatives designated as at fair value through profit or loss	–	(26)	–	(26)
Derivatives classified as held for trading under IAS 39	–	(47)	(1)	(48)
	–	(73)	(6,173)	(6,246)

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

Movements in the year for financial instruments measured using Level 3 valuation methods are presented below:

	2018 £m	2017 £m
At 1 January	**(5,657)**	(5,486)
Net losses recognised in the income statement	**(1,233)**	(970)
Net gains recognised in other comprehensive income	**123**	22
Contingent consideration for businesses divested/acquired during the year	**–**	80
Payment of contingent consideration liabilities	**1,095**	685
Additions	**381**	117
Disposals and settlements	**(27)**	(52)
Transfers from Level 3	**(241)**	(24)
Exchange adjustments	**27**	(29)
At 31 December	**(5,532)**	(5,657)

The net losses of £1,233 million (2017 – £970 million) attributable to Level 3 financial instruments which were recognised in the income statement were all attributable to financial instruments which were held at the end of the year. Losses of £1,233 million were reported in Other operating income (2017 – £971 million losses in Other operating income and £1 million income in Finance income). £1,188 million (2017 – £909 million) arose from remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture and £56 million (2017 – £53 million) arose from remeasurement of the contingent consideration payable for the acquisition of the Novartis Vaccines business. Net gains of £123 million (2017 – £22 million) attributable to Level 3 financial instruments reported in Other comprehensive income as Fair value movements on equity investments included net gains of £117 million (2017 – net losses of £6 million) in respect of financial instruments held at the end of the year, of which net gains of £98 million (2017 – net losses of £6 million) arose prior to transfer from Level 3 on equity investments which transferred to a Level 1 valuation methodology as a result of listing on a recognised stock exchange during the year.

Financial liabilities measured using Level 3 valuation methods at 31 December included £5,937 million (2017 – £5,542 million) in respect of contingent consideration payable for the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products and movements in certain foreign currencies. They also included £296 million (2017 – £584 million) in respect of contingent consideration for the acquisition in 2015 of the Novartis Vaccines business. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products, the achievement of certain milestone targets and movements in certain foreign currencies. Sensitivity analysis on these balances is provided in Note 39, ‘Contingent consideration liabilities’.

(b) Trade and other receivables, Other non-current assets and other items in Assets held for sale in scope of IFRS 9 (2017 – IAS 39)

The following table reconciles financial instruments within Trade and other receivables, Other non-current assets and other items in Assets held for sale which fall within the scope of IFRS 9 (2017 - IAS 39) to the relevant balance sheet amounts. The financial assets are predominantly non-interest earning. Financial instruments within the Other non-current assets balance include company-owned life insurance policies. Non-financial instruments include tax receivables, pension surplus balances and prepayments, which are outside the scope of IFRS 9 (2017 – IAS 39).

	2018						2017				
	At FVTPL £m	At FVTOCI £m	Amortised cost £m	**Financial instruments £m**	**Non-financial instruments £m**	**Total £m**	At FVTPL £m	Loans and receivables £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other receivables (Note 24)	120	1,687	3,761	**5,568**	**855**	**6,423**	42	5,148	5,190	810	6,000
Other non-current assets (Note 22)	716	–	49	**765**	**811**	**1,576**	464	347	811	602	1,413

Other items in Assets held for sale (Note 26)	–	–	47	**47**	**37**	**84**	–	–	–	–	–
	836	1,687	3,857	**6,380**	**1,703**	**8,083**	506	5,495	6,001	1,412	7,413

The Group applied IFRS 9 ‘Financial Instruments’ with effect from 1 January 2018 and therefore now accounts for expected credit losses on initial recognition of financial assets. The following table shows the ageing of financial assets which were past due at 31 December 2017 and for which no provision for bad or doubtful debts had been made at that date under IAS 39:

	2017 £m
Past due by 1–30 days	142
Past due by 31–90 days	70
Past due by 91–180 days	64
Past due by 181–365 days	27
Past due by more than 365 days	108
	411

42. Financial instruments and related disclosures continued

(c) Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and other items in Assets held for sale in scope of IFRS 9 (2017 - IAS 39)

The following table reconciles financial instruments within Trade and other payables, Other provisions, Other non-current liabilities, Contingent consideration liabilities and other items in Assets held for sale which fall within the scope of IFRS 9/IAS 39 to the relevant balance sheet amounts. The financial liabilities are predominantly non-interest bearing. Accrued wages and salaries are included within financial liabilities. Non-financial instruments includes payments on account, tax and social security payables and provisions which do not arise from contractual obligations to deliver cash or another financial asset, which are outside the scope of IFRS 9/IAS 39.

	2018					2017				
	At FVTPL £m	Amortised cost £m	**Financial instruments £m**	**Non-financial instruments £m**	**Total £m**	At FVTPL £m	Amortised cost £m	Financial instruments £m	Non-financial instruments £m	Total £m
Trade and other payables (Note 27)	–	(13,338)	**(13,338)**	**(699)**	**(14,037)**	–	(20,129)	(20,129)	(841)	(20,970)
Other provisions (Note 29)	–	(58)	**(58)**	**(1,365)**	**(1,423)**	–	(117)	(117)	(1,148)	(1,265)
Other non-current liabilities (Note 30)	–	(149)	**(149)**	**(789)**	**(938)**	–	(79)	(79)	(902)	(981)
Contingent consideration liabilities (Note 39)	(6,286)	–	**(6,286)**	**–**	**(6,286)**	(6,172)	–	(6,172)	–	(6,172)
Other items in Assets held for sale (Note 26)	–	(167)	**(167)**	**(53)**	**(220)**	–	–	–	–	–
	(6,286)	(13,712)	**(19,998)**	**(2,906)**	**(22,904)**	(6,172)	(20,325)	(26,497)	(2,891)	(29,388)

(d) Derivative financial instruments and hedging programmes

Derivatives are only used for economic hedging purposes and not as speculative investments and are classified as 'held for trading', other than designated and effective hedging instruments, and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current. The Group has the following derivative financial instruments:

	2018 Fair value		2017 Fair value	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Non-current				
Cash flow hedges – Interest rate swap contracts (principal amount – £1,266 million (2017 – £nil))	**–**	**(1)**	–	–
Net investment hedges – Cross currency swaps (principal amount – £1,575 million (2017 – £nil))	**64**	**–**	–	–
Current				
Cash flow hedges – Foreign exchange contracts (principal amount – £1,809 million (2017 – £38 million))	**1**	**(56)**	–	(1)
Net investment hedges – Foreign exchange contracts (principal amount – £7,316 million (2017 – £6,333 million))	**4**	**(48)**	5	(25)
Derivatives designated and effective as hedging instruments	**69**	**(105)**	5	(26)
Non-current				
Embedded and other derivatives	**4**	**–**	8	–
Current				
Foreign exchange contracts (principal amount – £18,537 million (2017 – £14,449 million))	**82**	**(23)**	62	(47)
Embedded and other derivatives	**102**	**–**	1	(1)

Derivatives classified as held for trading	**188**	**(23)**	71	(48)
Total derivative instruments	**257**	**(128)**	76	(74)

Fair value hedges

At 31 December 2018, the Group had no designated fair value hedges.

Net investment hedges

During the year, certain foreign exchange contracts were designated as net investment hedges in respect of the foreign currency translation risk arising on consolidation of the Group's net investment in its European (Euro) foreign operations as shown in the table above.

The carrying value of bonds on page 201 includes £8,213 million (2017 – £4,315 million) that are designated as hedging instruments in net investment hedges.

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

Cash flow hedges

During 2018, the Group entered into forward foreign exchange contracts which have been designated as cash flow hedges. These were entered into to hedge the foreign exchange exposure arising on cash flows from Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme, on the buyout of Novartis' non-controlling interest in the Consumer Healthcare Joint Venture in 2018 and on the planned divestment of *Horlicks* and other nutrition brands in 2019.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. In addition, the Group carries a balance in reserves that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years. The balance is reclassified to finance costs over the life of these bonds.

Foreign exchange forward contracts and swaps

In the current year, the Group has designated certain foreign exchange forward contracts and swaps as cash flow and net investment hedges. The following tables detail the foreign exchange forward contracts and swaps outstanding at the end of the reporting period, as well as information on the related hedged items. Foreign exchange derivative financial assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet. The notional value of foreign exchange forward contracts and swaps is the absolute total of outstanding positions at the balance sheet date.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts and swaps, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships. Consequently, there was no ineffectiveness to be recorded from cash flow hedges and net investments in foreign entity hedges.

				2018
Hedging instruments	Average exchange rate	Foreign currency	Notional value £m	Fair value £m
Cash flow hedges				
Foreign exchange contracts				
Buy foreign currency:				
Less than 3 months	–	–	–	–
3 to 6 months	1.13	Euro	26	1
Over 6 months	–	–	–	–
Sell foreign currency:				
Less than 3 months	–	–	–	–
3 to 6 months	–	–	–	–
Over 6 months	96.40	Indian Rupee	1,783	(56)
			1,809	(55)
Net investment hedges				
Foreign exchange contracts				
Sell foreign currency:				
Less than 3 months	1.11	Euro	6,933	(40)
3 to 6 months	–	–	–	–
Over 6 months	1.11	Euro	383	(4)
			7,316	(44)

	2018	
Hedged items	Change in value for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve/foreign currency translation reserve for continuing hedges £m
Cash flow hedges		
Variability in cash flows from a highly probable forecast transaction	56	(49)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	(1)	1
Net investment hedges		
Investment in European foreign operations	50	286

42. Financial instruments and related disclosures continued

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

				2018		
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows from a highly probable forecast transaction	127	–	Other operating income/ (expense)	–	(176)	Other operating income/ (expense)
Variability in cash flows from foreign exchange exposure arising on Euro denominated coupon payments relating to debt issued	1	–	Finance income/ (expense)	–	–	Finance income/ (expense)
Net investment hedges						
Net investment in European foreign operations	286	7	Finance income/ (expense)	–	–	Finance income/ (expense)

Interest rate swap contracts

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps, where at quarterly intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts are exchanged.

The interest rate swap contracts, exchanging floating rate interest for fixed interest, have been designated as cash flow hedges to hedge the variability of the interest cash flows associated with floating rate debt relating to notes issued under the Group's European Medium Term Note programme. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments affect profit or loss.

The critical terms of the interest rate swap contracts and their corresponding hedged items are the same. A qualitative assessment of effectiveness is performed and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main source of ineffectiveness in these hedge relationships are the effects of currency basis risk, the counterparty's and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables provide information regarding interest rate swap contracts outstanding and the related hedged items at 31 December 2018. Interest rate swap contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or liabilities) on the Consolidated balance sheet.

				2018
Hedging instruments	Average contracted fixed rate %	Notional principal value £m	Change in fair value for recognising hedge ineffectiveness £m	Fair value assets/ (liabilities) £m
Less than 1 year	–	–	–	–
1 to 2 years	0.11	676	–	(1)
2 to 2 years	0.16	591	–	23
Over 5 years	–	–	–	–

	2018

Hedged items	Change in value used for calculating hedge ineffectiveness £m	Balance in cash flow hedge reserve for continuing hedges £m
Variable rate borrowings	3	(3)

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

The following table details the effectiveness of the hedging relationships and the amounts reclassified from the hedging reserve to profit or loss:

				2018		
				Amount reclassified to profit or loss		
	Hedging gains/(losses) recognised in reserves £m	Amount of hedge ineffectiveness recognised in profit or loss £m	Line item in profit or loss in which hedge ineffectiveness is included	Hedged future cash flows no longer expected to occur £m	As hedged item affects profit or loss £m	Line item in which reclassification adjustment is included
Cash flow hedges						
Variability in cash flows	(3)	–	Finance income/ (expense)	–	(2)	Finance income/ (expense)
Pre-hedging of long-term interest rates	15	–	Finance income/ (expense)	–	3	Finance income/ (expense)

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

The following tables set out the financial assets and liabilities that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2018 and 31 December 2017. The column 'Net amount' shows the impact on the Group's balance sheet if all offset rights were exercised.

At 31 December 2018	Gross financial assets/ (liabilities) £m	Financial (liabilities)/ assets offset £m	**Net financial assets/ (liabilities) £m**	Related amounts not offset £m	Net amount £m
Financial assets					
Trade and other receivables	5,568	–	**5,568**	(37)	5,531
Derivative financial instruments	257	–	**257**	(62)	195
Financial liabilities					
Trade and other payables	(13,338)	–	**(13,338)**	37	(13,301)
Derivative financial instruments	(128)	–	**(128)**	62	(66)

At 31 December 2017	Gross financial assets/ (liabilities) £m	Financial (liabilities)/ assets offset £m	Net financial assets/ (liabilities) £m	Related amounts not offset £m	Net balance £m
Financial assets					
Trade and other receivables	5,191	(1)	5,190	(31)	5,159
Derivative financial instruments	76	–	76	(64)	12
Financial liabilities					
Trade and other payables	(20,130)	1	(20,129)	31	(20,098)
Derivative financial instruments	(74)	–	(74)	64	(10)

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party. As there is presently not a legally enforceable right of offset, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

42. Financial instruments and related disclosures continued

(f) Debt interest rate repricing table

The following table sets out the exposure of the Group to interest rates on debt, including commercial paper. The maturity analysis of fixed rate debt is stated by contractual maturity and of floating rate debt by interest rate repricing dates. For the purpose of this table, debt is defined as all classes of borrowings other than obligations under finance leases.

	2018 Total debt £m	2017 Total £m
Floating and fixed rate debt less than one year	**(5,769)**	(2,802)
Between one and two years	**(1,757)**	(1,340)
Between two and three years	**(1,570)**	(1,076)
Between three and four years	**(1,568)**	(16)
Between four and five years	**(2,010)**	(1,475)
Between five and ten years	**(5,833)**	(3,664)
Greater than ten years	**(7,489)**	(6,650)
Total	**(25,996)**	(17,023)
Original issuance profile:		
Fixed rate interest	**(20,322)**	(16,209)
Floating rate interest	**(5,635)**	(765)
Total interest bearing	**(25,957)**	(16,974)
Non-interest bearing	**(39)**	(49)
	(25,996)	(17,023)

(g) Sensitivity analysis

The tables below illustrate the estimated impact on the income statement and equity as a result of hypothetical market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The range of variables chosen for the sensitivity analysis reflects management's view of changes which are reasonably possible over a one-year period.

Foreign exchange sensitivity

The Group operates internationally and is primarily exposed to foreign exchange risk in relation to Sterling against movements in US Dollar, Euro and Japanese Yen. Foreign exchange risk arises from the translation of financial assets and liabilities which are not in the functional currency of the entity that holds them. Based on the Group's net financial assets and liabilities as at 31 December, a weakening and strengthening of Sterling against these currencies, with all other variables held constant, is illustrated in the tables below. The tables exclude financial instruments that expose the Group to foreign exchange risk where this risk is fully hedged with another financial instrument.

Income statement impact of non-functional currency foreign exchange exposures	2018 Increase/(decrease) in income £m	2017 Increase/(decrease) in income £m
10 cent appreciation of the US Dollar	**36**	76
10 cent appreciation of the Euro	**(7)**	(5)
10 yen appreciation of the Yen	**15**	9

Income statement impact of non-functional currency foreign exchange exposures	2018 Increase/(decrease) in income £m	2017 Increase/(decrease) in income £m
10 cent depreciation of the US Dollar	**(30)**	(66)
10 cent depreciation of the Euro	**6**	4
10 yen depreciation of the Yen	**(13)**	(8)

Notes to the financial statements continued

42. Financial instruments and related disclosures continued

The equity impact, shown below, for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging the Group's net investments in its European (Euro) foreign operations and cash flow hedges of its foreign exchange exposure arising on Euro denominated coupon payments relating to notes issued under the Group's European Medium Term Note programme.

Equity impact of non-functional currency foreign exchange exposures	2018 Increase/(decrease) in equity £m	2017 Increase/(decrease) in equity £m
10 cent appreciation of the US Dollar	**–**	1
10 cent appreciation of the Euro	**(1,307)**	(1,028)

Equity impact of non-functional currency foreign exchange exposures	2018 Increase/(decrease) in equity £m	2017 Increase/(decrease) in equity £m
10 cent depreciation of the US Dollar	**–**	(1)
10 cent depreciation of the Euro	**1,091**	861

The tables below present the Group's sensitivity to a weakening and strengthening of Sterling against the relevant currency based on the composition of net debt as shown in Note 31 adjusted for the effects of foreign exchange derivatives that are not part of net debt but affect future foreign currency cash flows.

Impact of foreign exchange movements on net debt	2018 (Increase)/decrease in net debt £m	2017 (Increase)/decrease in net debt £m
10 cent appreciation of the US Dollar	**(714)**	(637)
10 cent appreciation of the Euro	**(60)**	197
10 yen appreciation of the Yen	**15**	(4)

Impact of foreign exchange movements on net debt	2018 (Increase)/decrease in net debt £m	2017 (Increase)/decrease in net debt £m
10 cent depreciation of the US Dollar	**610**	549
10 cent depreciation of the Euro	**50**	(165)
10 yen depreciation of the Yen	**(13)**	4

Interest rate sensitivity

The Group is exposed to interest rate risk on its outstanding borrowings and investments where any changes in interest rates will affect future cash flows or the fair values of financial instruments.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge, although the majority of cash and liquid investments earn floating rates of interest.

The table below hypothetically shows the Group's sensitivity to changes in interest rates in relation to Sterling, US Dollar and Euro floating rate financial assets and liabilities. If the interest rates applicable to floating rate financial assets and liabilities were to have increased by 1% (100 basis points), and assuming other variables had remained constant, it is estimated that the Group's finance income for 2018 would have decreased by approximately £13 million (2017 – £5 million increase). A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity.

Income statement impact of interest rate movements	2018 Increase/(decrease) in income £m	2017 Increase/(decrease) in income £m
1% (100 basis points) increase in Sterling interest rates	**(2)**	24

1% (100 basis points) increase in US Dollar interest rates	**1**	(24)
1% (100 basis points) increase in Euro interest rates	**(12)**	5

42. Financial instruments and related disclosures continued

(h) Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following tables provide an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as all classes of borrowings except for obligations under finance leases. Interest is calculated based on debt held at 31 December without taking account of future issuance. Floating rate interest is estimated using the prevailing interest rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at 31 December. Contractual cash flows in respect of operating lease vacant space provisions are excluded from the table below as they are included in the Commitments under non-cancellable operating leases table in Note 41, 'Commitments'.

At 31 December 2018	Debt £m	Interest on debt £m	Obligations under finance leases £m	Finance charge on obligations under finance leases £m	Trade payables and other liabilities not in net debt £m	**Total £m**
Due in less than one year	(5,771)	(714)	(24)	(5)	(14,278)	**(20,792)**
Between one and two years	(1,775)	(708)	(18)	(2)	(1,107)	**(3,610)**
Between two and three years	(1,592)	(675)	(11)	(2)	(902)	**(3,182)**
Between three and four years	(1,592)	(620)	(6)	(1)	(851)	**(3,070)**
Between four and five years	(1,970)	(567)	(3)	(1)	(826)	**(3,367)**
Between five and ten years	(5,875)	(2,370)	(6)	(5)	(3,748)	**(12,004)**
Greater than ten years	(7,579)	(3,764)	–	–	(1,468)	**(12,811)**
Gross contractual cash flows	(26,154)	(9,418)	(68)	(16)	(23,180)	**(58,836)**

At 31 December 2017	Debt £m	Interest on debt £m	Obligations under finance leases £m	Finance charge on obligations under finance leases £m	Trade payables and other liabilities not in net debt £m	Total £m
Due in less than one year	(2,802)	(555)	(23)	(2)	(21,521)	(24,903)
Between one and two years	(1,344)	(497)	(27)	(2)	(853)	(2,723)
Between two and three years	(1,078)	(488)	(8)	(1)	(813)	(2,388)
Between three and four years	(16)	(488)	(2)	(1)	(784)	(1,291)
Between four and five years	(1,483)	(468)	(1)	(1)	(752)	(2,705)
Between five and ten years	(3,694)	(2,018)	(5)	(5)	(3,609)	(9,331)
Greater than ten years	(6,720)	(3,996)	–	–	(1,471)	(12,187)
Gross contractual cash flows	(17,137)	(8,510)	(66)	(12)	(29,803)	(55,528)

Anticipated contractual cash flows for the repayment of debt and debt interest have increased by £9.9 billion over the year due to funding of the buyout of Novartis' 36.5% stake in the Consumer Healthcare Joint Venture, an increase in the issuance of commercial paper and unfavourable exchange impacts from the translation of non-Sterling denominated debt.

The table below provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments excluding equity options which do not give rise to cash flows, and other embedded derivatives, which are not material, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December. The gross cash flows of foreign exchange contracts are presented for the purpose of this table although, in practice, the Group uses standard settlement arrangements to reduce its liquidity requirements on these instruments.

	2018				2017			
	Receivables		**Payables**		Receivables		Payables	
	Interest rate swaps £m	**Foreign exchange forward contracts and swaps £m**	**Interest rate swaps £m**	**Foreign exchange forward contracts and swaps £m**	Interest rate swaps £m	Foreign exchange forward contracts and swaps £m	Interest rate swaps £m	Foreign exchange forward contracts and swaps £m

Due in less than one year	**49**	**26,680**	**(3)**	**(26,802)**	–	20,319	–	(20,326)
Between one and two years	**48**	**1,575**	**(3)**	**(1,513)**	–	–	–	–
Between two and three years	**24**	**–**	**(2)**	**–**	–	–	–	–
Gross contractual cash flows	**121**	**28,255**	**(8)**	**(28,315)**	–	20,319	–	(20,326)

The amounts receivable and payable in less than one year have increased compared with 31 December 2017 predominantly from hedging of the buyout of Novartis' 36.5% stake in the Consumer Healthcare Joint Venture and the divestment of Horlicks and other nutrition brands to Unilever.

Notes to the financial statements continued

43. Employee share schemes

GSK operates several employee share schemes, including the Share Value Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost after a three year vesting period and the Performance Share Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost, subject to the achievement by the Group of specified performance targets. The granting of these restricted share awards has replaced the granting of options to employees as the cost of the schemes more readily equates to the potential gain to be made by the employee. The Group also operates savings related share option schemes, whereby options are granted to employees to acquire shares in GlaxoSmithKline plc at a discounted price.

Grants of restricted share awards are normally exercisable at the end of the three-year vesting or performance period. Awards are normally granted to employees to acquire shares or ADS in GlaxoSmithKline plc but in some circumstances may be settled in cash. Grants under savings-related share option schemes are normally exercisable after three years' saving. In accordance with UK practice, the majority of options under the savings-related share option schemes are granted at a price 20% below the market price ruling at the date of grant. Options under historical share option schemes were granted at the market price ruling at the date of grant.

The total charge for share-based incentive plans in 2018 was £393 million (2017 – £347 million; 2016 – £338 million). Of this amount, £304 million (2017 – £276 million; 2016 – £271 million) arose from the Share Value Plan. See Note 9, 'Employee Costs' for further details.

GlaxoSmithKline share award schemes

Share Value Plan

Under the Share Value Plan, share awards are granted to certain employees at no cost. The awards vest after two and a half to three years and there are no performance criteria attached. The fair value of these awards is determined based on the closing share price on the day of grant, after deducting the expected future dividend yield of 4.8% (2017 – 4.8%; 2016 – 4.5%) over the duration of the award.

Number of shares and ADS issuable	Shares Number (000)	Weighted fair value	ADS Number (000)	Weighted fair value
At 1 January 2016	32,577		17,520	
Awards granted	12,983	£14.97	6,589	$39.18
Awards exercised	(11,198)		(6,214)	
Awards cancelled	(1,507)		(812)	
At 31 December 2016	32,855		17,083	
Awards granted	13,018	£13.68	6,610	$35.63
Awards exercised	(10,596)		(5,674)	
Awards cancelled	(1,352)		(627)	
At 31 December 2017	33,925		17,392	
Awards granted	12,751	£13.74	6,503	$35.28
Awards exercised	(11,089)		(5,583)	
Awards cancelled	(1,519)		(925)	
At 31 December 2018	34,068		17,387	

Performance Share Plan

Under the Performance Share Plan, share awards are granted to Directors and senior executives at no cost. The percentage of each award that vests is based upon the performance of the Group over a defined measurement period with dividends reinvested during the same period. For awards granted from 2015, the performance conditions are based on three equally weighted measures over a three-year performance period. These are adjusted free cash flow, TSR and R&D new product performance.

The fair value of the awards is determined based on the closing share price on the day of grant. For TSR performance elements, this is adjusted by the likelihood of that condition being met, as assessed at the time of grant.

During 2018, awards were made of 4.7 million shares at a weighted fair value of £10.46 and 1.3 million ADS at a weighted fair value of $29.43. At 31 December 2018, there were outstanding awards over 13.1 million shares and 3.4 million ADS.

43. Employee share schemes continued

Share options and savings-related options

For the purposes of valuing savings-related options to arrive at the share-based payment charge, a Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

	2018 Grant	2017 Grant	2016 Grant
Risk-free interest rate	**0.76%**	0.54%	0.32%
Dividend yield	**5.3%**	5.9%	4.9%
Volatility	**21%**	23%	23%
Expected life	**3 years**	3 years	3 years
Savings-related options grant price (including 20% discount)	**£12.09**	£10.86	£12.95

Options outstanding	Share option schemes – shares		Share option schemes – ADS		Savings-related share option schemes	
	Number 000	Weighted exercise price	Number 000	Weighted exercise price	Number 000	Weighted exercise price
At 31 December 2018	1,796	£11.96	1,216	$36.19	5,929	£11.70
Range of exercise prices on options outstanding at year end	£11.60 – £12.21		$33.42 – $38.14		£10.13 – £12.95	
Weighted average market price on exercise during year		£14.43		$39.77		£15.13
Weighted average remaining contractual life		0.9 years		0.9 years		2.6 years

Options over 2.9 million shares were granted during the year under the savings-related share option scheme at a weighted average fair value of £2.40. At 31 December 2018, 5.5 million of the savings-related share options were not exercisable. All of the other share options and ADS options are currently exercisable and all will expire if not exercised on or before 22 July 2020.

There has been no change in the effective exercise price of any outstanding options during the year.

Employee Share Ownership Plan Trusts

The Group sponsors Employee Share Ownership Plan (ESOP) Trusts to acquire and hold shares in GlaxoSmithKline plc to satisfy awards made under employee incentive plans and options granted under employee share option schemes. The trustees of the ESOP Trusts purchase shares with finance provided by the Group by way of loans or contributions. The costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves and amortised down to the value of proceeds, if any, receivable from employees on exercise by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

Shares held for share award schemes	**2018**	2017
Number of shares (000)	**41,391**	66,558

	£m	£m
Nominal value	**10**	17
Carrying value	**160**	399
Market value	**617**	880

Shares held for share option schemes	**2018**	2017
Number of shares (000)	**139**	139

	£m	£m
Nominal value	**–**	–

Carrying value	**1**	1
Market value	**2**	2

Notes to the financial statements continued

44. Principal Group companies

The following represent the principal subsidiaries and their countries of incorporation of the Group at 31 December 2018. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

England

Glaxo Group Limited
Glaxo Operations UK Limited
GlaxoSmithKline Capital plc
GlaxoSmithKline Consumer Healthcare Holdings Limited
GlaxoSmithKline Consumer Healthcare (UK) Trading Limited
GlaxoSmithKline Consumer Trading Services Limited
GlaxoSmithKline Export Limited
GlaxoSmithKline Finance plc
GlaxoSmithKline Holdings Limited *
GlaxoSmithKline Research & Development Limited
GlaxoSmithKline Services Unlimited *
GlaxoSmithKline UK Limited
Setfirst Limited
SmithKline Beecham Limited
ViiV Healthcare Limited (78.3%)
ViiV Healthcare UK Limited (78.3%)

US

Block Drug Company, Inc.
Corixa Corporation
GlaxoSmithKline Capital Inc.
GlaxoSmithKline Consumer Healthcare Holdings (US) LLC
GlaxoSmithKline Consumer Healthcare, L.P. (88%)
GlaxoSmithKline Holdings (Americas) Inc.
GlaxoSmithKline LLC
Human Genome Sciences, Inc.
GSK Consumer Health, Inc. (formerly Novartis Consumer Health, Inc.)
S.R. One, Limited
Stiefel Laboratories, Inc.
ViiV Healthcare Company (78.3%)

Europe

GlaxoSmithKline Biologicals SA (Belgium)
GlaxoSmithKline Pharmaceuticals SA (Belgium)
GlaxoSmithKline Biologicals S.A.S. (France)
GlaxoSmithKline Sante Grand Public SAS (France)
Laboratoire GlaxoSmithKline (France)
ViiV Healthcare SAS (France) (78.3%)
GlaxoSmithKline Consumer Healthcare GmbH & Co. KG (Germany)
GlaxoSmithKline GmbH & Co. KG (Germany)
GSK Vaccines GmbH (Germany)
GlaxoSmithKline Consumer Healthcare S.p.A. (Italy)
GlaxoSmithKline S.p.A. (Italy)
GSK Vaccines S.r.l. (Italy)
GlaxoSmithKline B.V. (Netherlands)
GlaxoSmithKline Consumer Healthcare Sp.z.o.o. (Poland)
GSK Services Sp z o.o. (Poland)
GlaxoSmithKline Trading Services Limited (Republic of Ireland) (i)
GlaxoSmithKline Healthcare AO (Russia)
GlaxoSmithKline S.A. (Spain)
Laboratorios ViiV Healthcare, S.L. (Spain) (78.3%)
GSK Consumer Healthcare S.A. (Switzerland)

Others

GlaxoSmithKline Argentina S.A. (Argentina)
GlaxoSmithKline Australia Pty Ltd (Australia)
GlaxoSmithKline Consumer Healthcare Australia Pty Ltd (Australia)
GlaxoSmithKline Brasil Limitada (Brazil)
GlaxoSmithKline Consumer Healthcare Inc. (Canada)
GlaxoSmithKline Inc. (Canada)
ID Biomedical Corporation of Quebec (Canada)
GlaxoSmithKline Limited (China (Hong Kong))
GlaxoSmithKline (Tianjin) Co. Ltd (China) (90%)
Sino-American Tianjin Smith Kline & French Laboratories Ltd (China) (55%)
GlaxoSmithKline Consumer Healthcare Limited (India) (72.5%)
GlaxoSmithKline Pharmaceuticals Limited (India) (75%)
GlaxoSmithKline Consumer Healthcare Japan K.K. (Japan)
GlaxoSmithKline K.K. (Japan)
ViiV Healthcare Kabushiki Kaisha (Japan) (78.3%)
GlaxoSmithKline Pakistan Limited (Pakistan) (82.6%)
Glaxo Wellcome Manufacturing Pte Ltd. (Singapore)
GlaxoSmithKline Korea Limited (Republic of Korea)
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S. (Turkey)

(i) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in Section 357 of that Act. Further subsidiaries, as disclosed on pages 260 to 270, are exempt from these provisions as they are also consolidated in the group financial statements.

* Directly held wholly owned subsidiary of GlaxoSmithKline plc.

The subsidiaries and associates listed above principally affect the figures in the Group's financial statements. Each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc and GlaxoSmithKline LLC, is a wholly-owned finance subsidiary of the company, and the company has fully and unconditionally guaranteed the securities issued by each of GlaxoSmithKline Capital Inc., GlaxoSmithKline Capital plc and GlaxoSmithKline LLC.

See pages 260 to 270 for a complete list of subsidiary undertakings, associates and joint ventures, which form part of these financial statements.

45. Legal proceedings

The Group is involved in significant legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust and governmental investigations, as well as related private litigation. The most significant of these matters, other than tax matters, are described below. The Group makes provision for these proceedings on a regular basis as summarised in Note 2, 'Accounting principles and policies' and Note 29, 'Other provisions'.

The Group may become involved in significant legal proceedings in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included in this note, but no provision would be made for the cases.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, the Group is unable to make a reliable estimate of the expected financial effect at this stage. The Group does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. Provisions are made, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, the Group will make a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. At 31 December 2018, the Group's aggregate provision for legal and other disputes (not including tax matters described in Note 14, 'Taxation') was £219 million. However, this provision is offset by a related £37 million receivable which means the net exposure to the Group is £182 million. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

The Group's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Group in the reporting period in which the judgements are incurred or the settlements entered into.

Intellectual property
Intellectual property claims include challenges to the validity and enforceability of the Group's patents on various products or

Dolutegravir/*Tivicay*/*Triumeq*
In September and October 2017, ViiV Healthcare received patent challenge letters under the Hatch-Waxman Act from Cipla, Dr. Reddy's Labs and Apotex for *Triumeq* and *Tivicay*, and from Lupin and Mylan for *Triumeq* and from Sandoz for *Tivicay*. ViiV Healthcare lists two patents for dolutegravir, the active ingredient in *Tivicay* and one of the active ingredients in *Triumeq*, in the FDA Orange Book. One patent, covering the molecule dolutegravir, expires on 5 October 2027. A second patent, claiming a certain crystal forms of dolutegravir, expires on 8 December 2029. All the letters challenged only the patent for the crystal form. Some generic companies alleged that the crystal form patent is not valid. Others challenged validity and asserted that their proposed product would not infringe the crystal form patent.

On 7 February 2017, ViiV Healthcare filed patent infringement suits against all the generic companies in the US District Court for the District of Delaware. Additionally, ViiV Healthcare also filed suit against certain of the generic companies in the US District Court for the District of New Jersey, and the US District Court for the District of West Virginia. The case against Mylan is now proceeding in the Northern District of West Virginia. The court has set the case against Mylan for trial in June 2020. The cases against the other defendants are proceeding in the District of Delaware. The District of Delaware has not yet set a trial date for the cases.

On 7 February 2018, ViiV Healthcare filed patent infringement litigation against Gilead Sciences Inc. (Gilead) over bictegravir in the US District Court for the District of Delaware (U.S. Patent No. 8,129,385) and the Canadian Federal Court (Canadian patent No. 2,606,282). ViiV Healthcare alleges that Gilead's triple combination HIV drug containing the HIV integrase inhibitor bictegravir infringes ViiV Healthcare's patent covering dolutegravir and other compounds that include dolutegravir's unique chemical scaffold. In both the US and Canada, ViiV Healthcare seeks financial redress rather than injunctive relief. The District of Delaware case is set for trial in September 2020. The Canadian court has not set a trial date for the Canadian action.

Kivexa
In 2018, ViiV Healthcare reached confidential agreements with each of DOC Generici, Farmoz and Kyowa Pharmaceuticals to settle various challenges to the validity of the Supplementary Protection Certificate ('SPC') for the patent covering the combination of lamivudine and abacavir for *Kivexa* and certain counterclaims brought by ViiV Healthcare for infringement of that SPC. These settlements brought an end to litigation and arbitration proceedings between ViiV Healthcare and DOC Generici in Italy, between ViiV Healthcare and Farmoz in Portugal, and between ViiV Healthcare and Kyowa Pharmaceuticals in Japan.

In June 2017, Biogaran commenced proceedings in France seeking revocation of the French SPC covering *Kivexa*. No trial date has been set for this action.

processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

In Q2 2018, ViiV Healthcare commenced proceedings against Sandoz in Switzerland. Sandoz countered challenging the validity of the patent relating to *Kivexa*. No trial date has been set for this action.

Notes to the financial statements continued

45. Legal proceedings continued

Product liability
Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies.

Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated safety issues may become, or be claimed by some to be, evident. The Group is currently a defendant in a number of product liability lawsuits related to the Group's Pharmaceutical, Vaccine and Consumer Healthcare products. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision, as appropriate, for the matters below in the provision for legal and other disputes. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions.'

Avandia
The Group has been named in product liability lawsuits on behalf of individuals asserting personal injury claims arising out of the use of *Avandia*. Economic loss actions have also been filed seeking restitution and penalties under consumer protection and other laws.

As of February 2019, there are seven remaining US cases. Four are personal injury actions subject to a settlement agreement and will be dismissed once the settlement has been finalised. Two are class actions, brought by third-party payers asserting claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) and state consumer protection laws, and are on appeal from summary judgements granted in favour of the Group. In the last of the seven, the Santa Clara County (California) Action, summary judgement was granted in favour of the Group on all issues except for the civil penalty claims under California's False Advertising Act.

Additionally, there are 13 class actions pending in Canada, but the Group has reached an agreement, subject to court approval, to settle all of them.

Seroxat/Paxil and Paxil CR
The Group has received numerous lawsuits and claims alleging that use of *Paxil* (paroxetine) has caused a variety of injuries. Most of these lawsuits contain one or more of the following allegations: (i) that use of *Paxil* during pregnancy caused congenital malformations, persistent pulmonary hypertension or autism; (ii) that *Paxil* treatment caused patients to commit suicidal or violent acts; and (iii) that the Group failed to warn that patients could experience certain symptoms on discontinuing *Paxil* treatment.

– Pregnancy
The Group has reached agreements to settle the majority of the US claims relating to the use of *Paxil* during pregnancy as of February 2019, but 11 lawsuits related to use during pregnancy are still pending in various courts in the US.

The Singh action in Alberta, Canada, a proposed national class action, seeks to certify a class relating to birth defects generally. The

– Acts of violence
As of February 2019, there were six pending claims or cases concerning allegations that patients who took paroxetine or *Paxil* committed or attempted to commit suicide or acts of violence: five claims or cases are in the US and one case is in Canada. One of the US cases, Dolin, involving the suicide of a man who allegedly took generic paroxetine manufactured by Mylan, resulted in a $3 million verdict for the plaintiff; however, on 22 August 2018 the US Court of Appeals for the Seventh Circuit reversed the jury verdict and found in favour of the Group. Plaintiff has filed a petition for writ of certiorari asking the US Supreme Court to review the case. The remaining US cases are largely dormant.

In the one pending Canadian action, Carmichael, the Group has filed a motion for summary judgement based on the statute of limitations.

– Discontinuation
In the UK, a long-pending group action alleges that *Seroxat* caused severe discontinuation symptoms. In 2010, the Legal Services Commission ("LSC") withdrew public funding from hundreds of claimants, causing termination of most claims. In 2015, the Legal Aid Agency (formerly the LSC) discharged the public funding certificate following a 2013 recommendation of its Special Cases Review Panel that these cases have poor prospects of success.

However, more recently, Fortitude Law was engaged with the purpose of resurrecting the *Seroxat* group action, and obtained third-party funding for the experts and the 103 remaining claimants. The Group asked the court to require the third-party funder to provide security for the litigation costs in the event plaintiffs lose.

On 8 December 2017, the High Court ruled in favour of the Group on its application for an order that the claimants' litigation funder give security for costs for a sum in excess of the total funding it had committed to the case. The trial of the action is scheduled to commence in April 2019.

Zofran
Plaintiffs allege that their children suffered birth defects as a result of the mothers' ingestion of *Zofran* and/or generic ondansetron for pregnancy-related nausea and vomiting. Plaintiffs assert that the Group sold *Zofran* knowing it was unsafe for pregnant women, failed to warn of the risks, and illegally marketed *Zofran* "off-label" for use by pregnant women.

As of February 2019, the Group is a defendant in 430 personal injury lawsuits. All but two of the lawsuits are part of a multi-district litigation proceeding ("MDL") in the US District Court for the District of Massachusetts.

In the MDL, the parties are in the process of completing case-specific discovery and selecting cases for potential trials. While the court recently denied the Group's motion for summary judgment based on a federal preemption argument, the Group continues to seek the dismissal of individual cases on other grounds as appropriate.

court, after hearing argument in January 2019, has plaintiffs' class certification motion under consideration.

Another Canadian class action, Jensen, alleging claims of *Paxil* (and other SSRI) use and autism was filed in Saskatchewan in January 2017; however, there has been no activity in the case since the filing.

GSK is also a defendant in four proposed class actions in Canada. There has been no significant activity in these four matters; however, the parties have recently agreed to a schedule for class certification proceedings in the matter pending in Ontario.

45. Legal proceedings continued

Sales and marketing and regulation
The Group's marketing and promotion of its Pharmaceutical and Vaccine products are the subject of certain governmental investigations and private lawsuits brought by litigants under various theories of law. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below.

Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions'.

SFO and SEC/DOJ Anti-corruption enquiries
On 27 May 2014, the UK Serious Fraud Office (SFO) began a formal criminal investigation into the Group's commercial operations in a number of countries, including China. The SFO inquiry followed investigations initiated by China's Ministry of Public Security in June 2013 (the 'China Investigations'), which resulted in a ruling in 2014 that, according to Chinese law, GSK China Investment Co. Ltd. ('GSKCI') had offered money or property to non-government personnel in order to obtain improper commercial gains and GSKCI being found guilty of bribing non-government personnel.

On 30 September 2016, the Group reached a global resolution with the US Securities and Exchange Commission (SEC) regarding the SEC's investigation under the US Foreign Corrupt Practices Act (FCPA) into the Group's commercial practices in countries outside of the US, including China. As part of the resolution, the Group agreed to pay a civil penalty of $20 million to the US Government. The US Department of Justice (DOJ) confirmed that it had concluded its investigation into the Group's commercial practices and would take no action against the Group. As part of the resolution with the SEC, the Group agreed to certain undertakings, including a period of self-monitoring and reporting. The Group's obligations under that resolution continued through 30 September 2018 and have now concluded.

In the course of its inquiry, the SFO had requested additional information from the Group regarding third-party advisers engaged by the company in the course of the China Investigations. The SEC and DOJ are also investigating these matters following the Group's reporting of the SFO's inquiries. The Group is co-operating and responding to these requests. On 22 February 2019, the SFO announced that it would be closing its investigation and confirmed that it would be taking no further action against the Group. The SEC and DOJ investigations into these issues continue.

The Group is unable to make a reliable estimate of the expected financial effect of these investigations, and no provisions have been made for them.

US Vaccines subpoena
On 25 February 2016, the Group received a subpoena from the US Attorney's Office for the Southern District of New York requesting

Average wholesale price
The Attorney General in Illinois filed suit against the Group and a number of other pharmaceutical companies claiming damages and restitution due to average wholesale price (AWP) and/or wholesale acquisition cost (WAC) price reporting for pharmaceutical products covered by the state's Medicaid programmes. The case alleges that the Group reported or caused to be reported false AWP and WAC prices, which, in turn, allegedly caused the state Medicaid agency to reimburse providers more money for covered medicines than the agency intended. The state has sought recovery on behalf of itself as payer and on behalf of in-state patients as consumers. The case is ongoing, and no trial date has yet been set as to the Group.

Cidra third-party payer litigation
On 25 July 2013, a number of major US healthcare insurers filed suit against the Group in the Philadelphia, Pennsylvania County Court of Common Pleas seeking compensation for reimbursements they made for medicines manufactured at the Group's former Cidra plant in Puerto Rico. These insurers claim that the Group knowingly and illegally marketed and sold adulterated drugs manufactured under conditions non-compliant with cGMP (current good manufacturing practices) and that they, as third-party insurers, were unlawfully induced to pay for them. The suit alleges both US federal and various state law causes of action. Discovery is complete, and the Group has filed a motion for summary judgement, which likely will be heard in spring 2019. No trial date has yet been set.

Anti-trust/competition
Certain governmental actions and private lawsuits have been brought against the Group alleging violation of competition or anti-trust laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions'.

UK Competition and Markets Authority investigation
On 12 February 2016, the UK Competition and Markets Authority (CMA) issued a decision fining the Group and two other pharmaceutical companies for infringement of the Competition Act. The CMA imposed a fine of £37.6 million on the Group, as well as fines totaling £7.4 million against the other companies. This relates to agreements to settle patent disputes between the Group and potential suppliers of generic paroxetine formulations, entered into between 2001 and 2003. The Group terminated the agreements at issue in 2004. The Group believes it has strong grounds for its appeal of the CMA's finding to the Competition Appeal Tribunal (CAT) in order to overturn the fine or substantially reduce it. The appeal concluded in April 2017. The CAT delivered its initial judgement on the appeal on 8 March 2018, referring all the principle points at issue to the Court of Justice of the EU for a preliminary ruling. The matter will then return to

documents relating to the Group's Vaccines business. The Group responded to the subpoena and was informed by the government in 2018 that the government would be closing the matter without further action.

the CAT for final judgement. No provision has been made for this matter.

Notes to the financial statements continued

45. Legal proceedings continued

Lamictal
Purported classes of direct and indirect purchasers filed suit in the US District Court for the District of New Jersey alleging that the Group and Teva Pharmaceuticals unlawfully conspired to delay generic competition for *Lamictal*, resulting in overcharges to the purchasers, by entering into an allegedly anti-competitive reverse payment settlement to resolve patent infringement litigation. A separate count accuses the Group of monopolising the market.

On 26 June 2015, the Court of Appeals reversed the trial court's decision to dismiss the case and remanded the action back to the trial court. On 18 May 2016, the trial court denied the indirect purchaser class plaintiffs' motion for reconsideration of the Court's dismissal of their claims. As a result, the indirect purchaser class representatives agreed to a settlement to exit the case and resolve their remaining claims. On 13 December 2018, the trial judge granted plaintiffs' class certification motion, certifying a class of direct purchasers in this action. The Group is pursuing an appeal with the Court of Appeals regarding the class certification.

Commercial and corporate
The Group is a defendant in certain cases which allege violation of US federal securities and ERISA laws. The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions".

Securities/ERISA class actions – Stiefel
On 12 December 2011, the US Securities and Exchange Commission (SEC) filed a formal complaint against Stiefel Laboratories, Inc., and Charles Stiefel in the US District Court for the District of Florida alleging that Stiefel and its principals violated federal securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to the company at a greatly undervalued price and without disclosing to employees that the company was about to be sold to the Group. The case was stayed while several private actions brought by former Stiefel employees proceeded through the courts but was returned to active status in early summer 2015. It is unclear when the case ultimately will be scheduled for trial.

In addition to the SEC case, one private matter (the "Martinolich" case) remains. It is also pending in federal district court in Florida but has been stayed pending the trial of the SEC matter. The allegations in the Martinolich case largely track those in the SEC matter: the plaintiff, a former Stiefel employee, alleges that Stiefel and its officers and directors violated the US Employee Retirement Income Security Act (ERISA) and federal and state securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to Stiefel at a greatly undervalued price and without disclosing to employees that Stiefel was about to be sold to the Group.

Environmental matters
The Group has been notified of its potential responsibility relating to past operations and its past waste disposal practices at certain sites, primarily in the US. Some of these matters are the subject of litigation, including proceedings initiated by the US federal or state governments for waste disposal, site remediation costs and tort actions brought by private parties.

The Group has been advised that it may be a responsible party at approximately 16 sites, of which nine appear on the National Priority List created by the Comprehensive Environmental Response Compensation and Liability Act (Superfund). These proceedings seek to require the operators of hazardous waste facilities, transporters of waste to the sites and generators of hazardous waste disposed of at the sites to clean up the sites or to reimburse the US Government for cleanup costs. In most instances, the Group is involved as an alleged generator of hazardous waste.

Although Superfund provides that the defendants are jointly and severally liable for cleanup costs, these proceedings are frequently resolved on the basis of the nature and quantity of waste disposed of by the generator at the site. The Group's proportionate liability for cleanup costs has been substantially determined for 18 of the sites referred to above.

The Group's potential liability varies greatly from site to site. The cost of investigation, study and remediation at such sites could, over time, be significant. The Group has made a provision for these matters, as noted in Note 29, 'Other provisions'.

46. Post balance sheet events

The agreement to acquire Tesaro, Inc. for $5.1 billion in cash, which was signed in December 2018, completed on 22 January 2019.

On 31 January 2019, Mylan N.V. announced that the US Food and Drug Administration had approved their therapeutically equivalent generic of *Advair Diskus* for certain patients with asthma or chronic obstructive pulmonary disease.

Company balance sheet – UK GAAP

(including FRS 101 'Reduced Disclosure Framework') as at 31 December 2018

	Notes	2018 £m	2018 £m	2017 £m	2017 £m
Fixed assets – investments	F		**19,987**		20,275
Current assets:					
Trade and other receivables	G		**8,394**		8,715
Cash at bank			**12**		15
Total current assets			**8,406**		8,730
Bank overdrafts			**(12)**		(15)
Short term borrowings	H		**(3,500)**		–
Trade and other payables	I		**(610)**		(837)
Total current liabilities			**(4,122)**		(852)
Net current assets			**4,284**		7,878
Total assets less current liabilities			**24,271**		28,153
Provisions for liabilities	J		**(16)**		(27)
Other non-current liabilities	K		**(282)**		(238)
Net assets			**23,973**		27,888
Capital and reserves					
Share capital	L		**1,345**		1,343
Share premium account	L		**3,091**		3,019
Other reserves			**1,420**		1,420
Retained earnings:					
At 1 January		**22,106**		15,538	
(Loss)/profit for the year		**(62)**		9,893	
Other changes in retained earnings		**(3,927)**		(3,325)	
	M		**18,117**		22,106
Equity shareholders' funds			**23,973**		27,888

The financial statements on pages 219 to 222 were approved by the Board on 11 March 2019 and signed on its behalf by

Philip Hampton
Chairman
GlaxoSmithKline plc
Registered number: 3888792

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 January 2017	1,342	2,954	1,420	15,538	**21,254**
Profit and Total comprehensive income attributable to shareholders	–	–	–	9,893	**9,893**
Dividends to shareholders	–	–	–	(3,906)	**(3,906)**
Shares issued under employee share schemes	1	55	–	–	**56**

Treasury shares transferred to the ESOP Trust	–	10	–	581	**591**
At 31 December 2017	1,343	3,019	1,420	22,106	**27,888**
Loss and Total comprehensive expense attributable to shareholders	–	–	–	(62)	**(62)**
Dividends to shareholders	–	–	–	(3,927)	**(3,927)**
Shares issued under employee share schemes	2	72	–	–	**74**
At 31 December 2018	1,345	3,091	1,420	18,117	**23,973**

Notes to the company balance sheet – UK GAAP

(including FRS 101 'Reduced Disclosure Framework')

A) Presentation of the financial statements

Description of business

GlaxoSmithKline plc is the parent company of GSK, a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, including vaccines, over-the-counter (OTC) medicines and health-related consumer products.

Preparation of financial statements

The financial statements, which are prepared using the historical cost convention (as modified to include the revaluation of certain financial instruments) and on a going concern basis, are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and with UK accounting presentation and the Companies Act 2006 as at 31 December 2018, with comparative figures as at 31 December 2017.

As permitted by section 408 of the Companies Act 2006, the income statement of the company is not presented in this Annual Report.

The company is included in the Group financial statements of GlaxoSmithKline plc, which are publicly available.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments - Disclosures'
- Paragraphs 91-99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1
- Paragraphs 10(d), 10(f), 16, 38(A), 38 (B to D), 40 (A to D), 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures' and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

Accounting convention and standards

The balance sheet has been prepared using the historical cost convention and complies with applicable UK accounting standards.

Accounting principles and policies

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make

B) Accounting policies

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date.

Dividends paid and received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Investments in subsidiary companies

Investments in subsidiary companies are held at cost less any provision for impairment and also adjusted for movements in contingent consideration.

Impairment of investments

The carrying value of investments are reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the income statement in the year concerned.

Share-based payments

The issuance by the company to its subsidiaries of a grant over the company's shares, represents additional capital contributions by the company in its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to be realised or settled. Deferred tax liabilities and assets are not discounted.

Financial guarantees

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual amounts could differ from those estimates.

The balance sheet has been prepared in accordance with the company's accounting policies approved by the Board and described in Note B. These policies have been consistently applied, unless otherwise stated.

Liabilities relating to guarantees issued by the company on behalf of its subsidiaries are initially recognised at fair value and amortised over the life of the guarantee.

C) Key accounting judgements and estimates

Legal and other disputes
The company provides for anticipated settlement costs where management makes a judgement that an outflow of resources is probable and a reliable estimate can be made of the likely outcome of the dispute and legal and other expenses arising from claims against the company. The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge.

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. At 31 December 2018, provisions for legal and other disputes amounted to £16 million (2017 – £27 million).

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the company's financial statements by a material amount.

D) Operating profit

A fee of £12,000 (2017 – £12,053) relating to the audit of the company has been charged in operating profit.

E) Dividends

The directors declared four interim dividends resulting in a dividend for the year of 80 pence, in line with the dividend for 2017. For further details, see Note 16 to the Group financial statements, 'Dividends'.

F) Fixed assets – investments

	2018 £m	2017 £m
Shares in GlaxoSmithKline Services Unlimited	**613**	613
Shares in GlaxoSmithKline Holdings (One) Limited	**18**	18
Shares in GlaxoSmithKline Holdings Limited	**17,888**	17,888
Shares in GlaxoSmithKline Mercury Limited	**33**	33
	18,552	18,552
Capital contribution relating to share-based payments	**1,139**	1,139
Contribution relating to contingent consideration	**296**	584
	19,987	20,275

G) Trade and other receivables

	2018 £m	2017 £m
Amounts due within one year:		
UK Corporation tax recoverable	**10**	31
Other receivables	**–**	1
Amounts owed by Group undertakings	**7,889**	8,299
	7,899	8,331
Amounts due after more than one year:		
Amounts owed by Group undertakings	**495**	384
	8,394	8,715

H) Short-term borrowings

The £3.5 billion borrowing relates to a facility taken out in June 2018 as part of the financing of the buyout of the non-controlling interest in the Consumer Healthcare Joint Venture held by Novartis. The facility has a maturity date of 1 December 2019.

I) Trade and other payables

	2018 £m	2017 £m
Amounts due within one year:		
Other creditors	**567**	438
Contingent consideration payable	**14**	346
Amounts owed to Group undertakings	**29**	53
	610	837

The company has guaranteed debt issued by its subsidiary companies from two of which it receives fees. In aggregate, the company has outstanding guarantees over £22.2 billion of debt instruments (2017 – £16.7 billion). The amounts due from the subsidiary company in relation to these guarantee fees will be recovered over the life of the bonds and are disclosed within ‘Trade and other receivables’ (see Note G).

Notes to the company balance sheet – UK GAAP
(including FRS 101 'Reduced Disclosure Framework') continued

J) Provisions for liabilities

	2018 £m	2017 £m
At 1 January	**27**	23
Exchange adjustments	**2**	(3)
Charge for the year	**16**	52
Utilised	**(29)**	(45)
At 31 December	**16**	27

The provisions relate to a number of legal and other disputes in which the company is currently involved.

K) Other non-current liabilities

	2018 £m	2017 £m
Contingent consideration payable	**282**	238
	282	238

The contingent consideration relates to the amount payable for the acquisition in 2015 of the Novartis Vaccines portfolio. The current year liability is included within 'Trade and other payables'.

L) Share capital and share premium account

	Ordinary Shares of 25p each		Share premium account
	Number	£m	£m
Share capital authorised			
At 31 December 2017	10,000,000,000	2,500	
At 31 December 2018	10,000,000,000	2,500	
Share capital issued and fully paid			
At 1 January 2017	5,368,316,062	1,342	2,954
Issued under employee share schemes	4,237,758	1	55
Treasury shares transferred to the ESOP Trust	–	–	10
At 31 December 2017	5,372,553,820	1,343	3,019
Issued under employee share schemes	6,513,804	2	72
At 31 December 2018	5,379,067,624	1,345	3,091

	31 December 2018 000	31 December 2017 000
Number of shares issuable under employee share schemes	**56,723**	38,647
Number of unissued shares not under option	**4,564,209**	4,588,799

At 31 December 2018, of the issued share capital, 41,530,909 shares were held in the ESOP Trusts, 414,605,950 shares were held as Treasury shares and 4,922,930,765 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 43, 'Employee share schemes'.

M) Retained earnings

The loss of GlaxoSmithKline plc for the year was £62 million (2017 – £9,893 million profit), which after dividends of £3,927 million (2017 – £3,906 million), gave a retained loss of £3,989 million (2017 – profit of £5,987 milion). After the effect of £nil Treasury shares transferred to a subsidiary company (2017 – £581 million), retained earnings at 31 December 2018 stood at £18,117 million (2017 – £22,106 million), of which £4,096 million was unrealised (2017 – £4,096 million).

N) Group companies

See pages 260 to 270 for a complete list of subsidiaries, associates and joint ventures, which forms part of these financial statements.

Investor information

In this section

Financial record

Quarterly trend

An unaudited analysis of the Group results is provided by quarter in Sterling for the financial year 2018.

Income statement – Total

	12 months 2018			Q4 2018		
		Reported			Reported	
	£m	£%	CER%	£m	£%	CER%
Turnover						
Pharmaceuticals	**17,269**	–	2	**4,810**	6	4
Vaccines	**5,894**	14	16	**1,479**	22	18
Consumer Healthcare	**7,658**	(1)	2	**1,908**	1	1
Total turnover	**30,821**	**2**	**5**	**8,197**	**7**	**5**
Cost of sales	**(10,241)**	(1)	–	**(2,904)**	14	13
Selling, general and administration	**(9,915)**	3	5	**(2,620)**	3	1
Research and development	**(3,893)**	(13)	(12)	**(1,076)**	(11)	(14)
Royalty income	**299**	(16)	(17)	**79**	14	6
Other operating income/(expense)	**(1,588)**			**(122)**		
Operating profit	**5,483**	**34**	**43**	**1,554**	**>100**	**>100**
Net finance costs	**(717)**			**(185)**		
Profit on disposal of associates	**3**			**–**		
Share of after tax profits of associates and joint ventures	**31**			**5**		
Profit before taxation	**4,800**	36	46	**1,374**	>100	>100
Taxation	**(754)**			**(74)**		
Tax rate %	**15.7%**			**5.4%**		
Profit after taxation for the period	**4,046**	**87**	**100**	**1,300**	**>100**	**>100**
Profit attributable to non-controlling interests	**423**			**85**		
Profit attributable to shareholders	**3,623**			**1,215**		
Basic earnings per share (pence)	**73.7p**	**>100**	**>100**	**24.7p**	**>100**	**>100**
Diluted earnings per share (pence)	**72.9p**			**24.4p**		

Income statement – Adjusted

Total turnover	**30,821**	2	5	**8,197**	7	5
Cost of sales	**(9,178)**	5	6	**(2,532)**	12	12
Selling, general and administration	**(9,462)**	1	4	**(2,529)**	5	3
Research and development	**(3,735)**	(3)	(2)	**(1,019)**	3	(1)
Royalty income	**299**	(16)	(17)	**79**	14	6
Operating profit	**8,745**	**2**	**6**	**2,196**	**8**	**4**
Net finance costs	**(698)**			**(173)**		
Share of after tax profits of associates and joint ventures	**31**			**5**		
Profit before taxation	**8,078**	2	6	**2,028**	6	2

Taxation	(1,535)			(355)		
Tax rate %	19.0%			17.5%		
Profit after taxation for the period	6,543	5	9	1,673	10	6
Profit attributable to non-controlling interests	674			139		
Profit attributable to shareholders	5,869			1,534		
Adjusted earnings per share (pence)	119.4p	7	12	31.2p	14	10

The calculation of Adjusted results is described on page 40.

Quarterly trend continued

Q3 2018			Q2 2018			Q1 2018		
	Reported			Reported			Reported	
£m	£%	CER%	**£m**	£%	CER%	**£m**	£%	CER%
4,221	1	3	**4,229**	(3)	1	**4,009**	(4)	2
1,924	14	17	**1,253**	13	16	**1,238**	7	13
1,947	(1)	3	**1,828**	(1)	3	**1,975**	(3)	2
8,092	**3**	**6**	**7,310**	**–**	**4**	**7,222**	**(2)**	**4**
(2,636)	(1)	–	**(2,310)**	(12)	(10)	**(2,391)**	(5)	(3)
(2,527)	9	12	**(2,457)**	3	8	**(2,311)**	(6)	(2)
(988)	(6)	(5)	**(925)**	(27)	(25)	**(904)**	(6)	(1)
94	(12)	(13)	**73**	(26)	(23)	**53**	(35)	(34)
(125)			**(912)**			**(429)**		
1,910	**2**	**7**	**779**	**>100**	**>100**	**1,240**	**(28)**	**(15)**
(223)			**(167)**			**(142)**		
3			**–**			**–**		
15			**2**			**9**		
1,705	–	5	**614**	>100	>100	**1,107**	(29)	(15)
(193)			**(139)**			**(348)**		
11.3%			**22.6%**			**31.4%**		
1,512	**8**	**14**	**475**	**>100**	**>100**	**759**	**(38)**	**(24)**
94			**34**			**210**		
1,418			**441**			**549**		
28.8p	**16**	**23**	**9.0p**	**>100**	**>100**	**11.2p**	**(48)**	**(33)**
28.5p			**8.9p**			**11.1p**		
8,092	3	6	**7,310**	–	4	**7,222**	(2)	4
(2,388)	4	5	**(2,079)**	5	7	**(2,179)**	(2)	–
(2,313)	1	4	**(2,334)**	2	6	**(2,286)**	(3)	2
(961)	7	8	**(868)**	(18)	(15)	**(887)**	(3)	2
94	(12)	(13)	**73**	(26)	(23)	**53**	(35)	(34)
2,524	**2**	**6**	**2,102**	**1**	**7**	**1,923**	**(3)**	**9**
(221)			**(165)**			**(139)**		
15			**2**			**9**		
2,318	1	5	**1,939**	2	8	**1,793**	(1)	11
(430)			**(388)**			**(362)**		
18.6%			**20.0%**			**20.2%**		
1,888	**4**	**8**	**1,551**	**3**	**10**	**1,431**	**1**	**13**
141			**170**			**224**		
1,747			**1,381**			**1,207**		
35.5p	**10**	**14**	**28.1p**	**3**	**10**	**24.6p**	**(2)**	**11**

Financial record continued

Pharmaceutical turnover by therapeutic area 2018

	Total				US			Europe			International		
	2018	2017	Growth		2018	Growth		2018	Growth		2018	Growth	
Therapeutic area/major products	£m	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
Respiratory	**6,928**	**6,991**	**(1)**	**1**	**3,368**	**(5)**	**(3)**	**1,533**	**5**	**4**	**2,027**	**3**	**7**
Seretide/Advair	2,422	3,130	(23)	(21)	1,097	(32)	(30)	599	(19)	(20)	726	(7)	(4)
Ellipta products	2,049	1,586	29	32	1,245	24	27	457	42	41	347	33	38
Anoro Ellipta	476	342	39	42	318	36	39	101	46	45	57	46	54
Arnuity Ellipta	44	35	26	29	39	22	25	-	-	-	5	67	67
Incruse Ellipta	284	201	41	44	186	39	42	74	45	45	24	50	56
Relvar/Breo Ellipta	1,089	1,006	8	10	581	(3)	(1)	253	25	24	255	26	31
Trelegy Ellipta	156	2	>100	>100	121	>100	>100	29	>100	>100	6	-	-
Nucala/Mepolizumab	563	344	64	66	341	44	48	152	>100	>100	70	84	89
Avamys/Veramyst	300	281	7	10	-	-	-	74	(3)	(4)	226	11	16
Flixotide/Flovent	595	596	-	3	333	3	6	93	(2)	(3)	169	(5)	1
Ventolin	737	767	(4)	(1)	352	(7)	(5)	130	(2)	(2)	255	-	7
Other	262	287	(9)	(7)	-	-	-	28	4	-	234	(9)	(7)
HIV	**4,722**	**4,350**	**9**	**11**	**2,913**	**8**	**10**	**1,194**	**7**	**6**	**615**	**14**	**20**
Dolutegravir products	4,420	3,870	14	16	2,830	11	13	1,091	18	17	499	28	35
Tivicay	1,639	1,404	17	19	1,036	12	15	377	20	18	226	37	47
Triumeq	2,648	2,461	8	9	1,670	2	5	706	17	15	272	21	25
Juluca	133	5	>100	>100	124	>100	>100	8	-	-	1	-	-
Epzicom/Kivexa	117	234	(50)	(48)	7	(74)	(74)	44	(61)	(61)	66	(28)	(24)
Selzentry	115	128	(10)	(9)	58	(12)	(11)	35	(17)	(17)	22	10	15
Other	70	118	(41)	(40)	18	(59)	(59)	24	(35)	(38)	28	(26)	(21)
Immuno-inflammation	**472**	**377**	**25**	**28**	**420**	**24**	**27**	**36**	**33**	**33**	**16**	**45**	**64**
Benlysta	473	375	26	29	420	24	27	37	37	33	16	60	80
Established pharmaceuticals	**5,147**	**5,558**	**(7)**	**(4)**	**752**	**(23)**	**(21)**	**1,309**	**(5)**	**(7)**	**3,086**	**(4)**	**2**
Dermatology	435	456	(4)	-	3	(57)	(57)	161	(1)	(2)	271	(5)	2
Augmentin	570	587	(3)	2	-	-	-	181	(1)	(2)	389	(4)	3
Avodart	572	613	(7)	(5)	12	(20)	(20)	240	(19)	(20)	320	6	11
Coreg	50	134	(63)	(63)	50	(63)	(63)	-	-	-	-	-	-
Eperzan/Tanzeum	31	87	(64)	(64)	30	(64)	(63)	1	(60)	(61)	-	-	-
Imigran/Imitrex	141	168	(16)	(16)	58	(25)	(23)	57	(12)	(14)	26	-	-
Lamictal	617	650	(5)	(3)	310	(7)	(5)	113	6	5	194	(8)	(4)
Requip	85	110	(23)	(21)	5	(58)	(58)	28	(3)	(7)	52	(25)	(20)
Serevent	82	96	(15)	(14)	43	(17)	(15)	30	(9)	(9)	9	(18)	(18)
Seroxat/Paxil	170	184	(8)	(5)	-	-	-	39	-	-	131	(10)	(7)
Valtrex	123	128	(4)	(1)	21	5	5	30	3	3	72	(9)	(4)
Zeffix	69	89	(22)	(22)	1	-	-	5	(17)	(17)	63	(23)	(23)
Other	2,202	2,256	(2)	1	219	(10)	(6)	424	(2)	(3)	1,559	(1)	4
Pharmaceuticals	**17,269**	**17,276**	**-**	**2**	**7,453**	**(2)**	**1**	**4,072**	**2**	**1**	**5,744**	**-**	**5**

Pharmaceutical turnover by therapeutic area 2017

	Total				US			Europe			International		
	2017	2016	Growth		2017	Growth		2017	Growth		2017	Growth	
Therapeutic area/major products	£m	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
Respiratory	**6,991**	**6,510**	**7**	**3**	**3,556**	**8**	**3**	**1,458**	**5**	**–**	**1,977**	**9**	**5**
Seretide/Advair	3,130	3,485	(10)	(14)	1,610	(12)	(16)	736	(12)	(17)	784	(5)	(8)
Ellipta products	1,586	950	67	59	1,004	72	65	322	59	51	260	58	50
Anoro Ellipta	342	201	70	63	234	68	61	69	77	67	39	70	65
Arnuity Ellipta	35	15	>100	>100	32	>100	>100	–	–	–	3	>100	>100
Incruse Ellipta	201	114	76	68	134	56	49	51	>100	>100	16	>100	>100
Relvar/Breo Ellipta	1,006	620	62	55	602	75	67	202	44	36	202	49	42
Trelegy Ellipta	2	–	–	–	2	–	–	–	–	–	–	–	–
Nucala/Mepolizumab	344	102	>100	>100	236	>100	>100	70	>100	>100	38	>100	>100
Avamys/Veramyst	281	277	1	(4)	1	(96)	(96)	76	3	(3)	204	15	9
Flixotide/Flovent	596	637	(6)	(10)	323	(15)	(18)	95	1	(5)	178	8	5
Ventolin	767	785	(2)	(6)	380	(10)	(14)	132	4	(2)	255	8	5
Other	287	274	5	3	2	>(100)	3	27	(4)	(4)	258	4	3
HIV	**4,350**	**3,556**	**22**	**16**	**2,697**	**26**	**21**	**1,114**	**10**	**3**	**539**	**33**	**26**
Dolutegravir products	3,870	2,688	44	37	2,560	42	35	921	39	31	389	77	70
Tivicay	1,404	953	47	40	923	44	38	315	39	30	166	95	88
Triumeq	2,461	1,735	42	35	1,632	40	34	606	39	31	223	66	58
Juluca	5	–	–	–	5	–	–	–	–	–	–	–	–
Epzicom/Kivexa	234	568	(59)	(61)	27	(86)	(87)	114	(54)	(57)	93	(22)	(25)
Selzentry	128	125	2	(2)	66	–	(5)	42	1	(4)	20	15	11
Other	118	175	(32)	(37)	44	(28)	(31)	37	(41)	(44)	37	(28)	(35)
Immuno-inflammation	**377**	**340**	**11**	**6**	**339**	**9**	**5**	**27**	**29**	**24**	**11**	**37**	**–**
Benlysta	375	306	23	17	338	22	17	27	29	19	10	26	26
Established pharmaceuticals	**5,558**	**5,698**	**(2)**	**(5)**	**976**	**(10)**	**(14)**	**1,384**	**(5)**	**(11)**	**3,198**	**2**	**–**
Dermatology	456	393	16	11	7	(56)	(56)	162	11	5	287	24	20
Augmentin	587	563	4	2	–	–	–	182	3	(4)	405	5	5
Avodart	613	635	(3)	(9)	15	(79)	(79)	297	(6)	(12)	301	21	16
Coreg	134	131	2	(2)	134	2	(2)	–	–	–	–	–	–
Eperzan/Tanzeum	87	121	(28)	(31)	83	(30)	(32)	3	–	–	1	>(100)	(100)
Imigran/Imitrex	168	177	(5)	(8)	77	(9)	(12)	65	5	–	26	(13)	(17)
Lamictal	650	614	6	1	332	6	1	107	1	(5)	211	8	5
Requip	110	116	(5)	(9)	12	(8)	(15)	29	(3)	(13)	69	(5)	(5)
Serevent	96	96	–	(4)	52	6	2	33	(6)	(11)	11	(8)	(8)
Seroxat/Paxil	184	206	(11)	(14)	–	–	–	39	(3)	(8)	145	(4)	(7)
Valtrex	128	118	8	3	20	25	19	29	16	12	79	3	(3)
Zeffix	89	111	(20)	(22)	1	(50)	(50)	6	(14)	(29)	82	(20)	(21)
Other	2,256	2,417	(7)	(8)	243	(7)	(11)	432	(16)	(21)	1,581	(4)	(4)
Pharmaceuticals	**17,276**	**16,104**	**7**	**3**	**7,568**	**11**	**6**	**3,983**	**3**	**(3)**	**5,725**	**6**	**4**

Financial record continued

Vaccines turnover 2018

	Total				US			Europe			International		
	2018	2017		Growth	2018		Growth	2018		Growth	2018		Growth
Major products	£m	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
Meningitis	**881**	**890**	**(1)**	**2**	**374**	**10**	**13**	**336**	**(14)**	**(15)**	**171**	**7**	**22**
Bexsero	584	556	5	9	200	32	34	311	(9)	(11)	73	18	52
Menveo	232	274	(15)	(12)	174	(7)	(5)	17	(50)	(50)	41	(23)	(15)
Other	65	60	8	7	–	–	–	8	(47)	(47)	57	27	24
Influenza	**523**	**488**	**7**	**10**	**385**	**7**	**9**	**66**	**35**	**33**	**72**	**(8)**	**(1)**
Fluarix, FluLaval	523	488	7	10	385	7	9	66	35	33	72	(8)	(1)
Shingles	**784**	**22**	**>100**	**>100**	**733**	**>100**	**>100**	**2**	**–**	**–**	**49**	**–**	**–**
Shingrix	784	22	>100	>100	733	>100	>100	2	–	–	49	–	–
Established vaccines	**3,706**	**3,760**	**(1)**	**–**	**1,209**	**5**	**8**	**1,157**	**–**	**(1)**	**1,340**	**(8)**	**(6)**
Infanrix, Pediarix	680	743	(8)	(7)	296	(10)	(8)	266	(16)	(17)	118	20	28
Boostrix	517	560	(8)	(7)	265	1	3	162	(12)	(14)	90	(20)	(19)
Hepatitis	808	693	17	19	458	21	24	245	22	21	105	(7)	–
Rotarix	521	524	(1)	1	126	(5)	(2)	110	16	15	285	(4)	(2)
Synflorix	424	509	(17)	(17)	–	–	–	58	(13)	(13)	366	(17)	(18)
Priorix, Priorix Tetra, Varilrix	305	301	1	2	–	–	–	159	(3)	(4)	146	6	9
Cervarix	138	134	3	2	–	–	–	20	(31)	(34)	118	12	12
Other	313	296	6	6	64	45	49	137	32	30	112	(24)	(25)
Vaccines	**5,894**	**5,160**	**14**	**16**	**2,701**	**45**	**48**	**1,561**	**(2)**	**(4)**	**1,632**	**(3)**	**–**

£% represents growth at actual exchange rates. CER% represents growth at constant exchange rates.

Vaccines turnover 2017

	Total				US			Europe			International		
	2017	2016		Growth	2017		Growth	2017		Growth	2017		Growth
Major products	£m	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%	£m	£%	CER%
Meningitis	**890**	**662**	**34**	**27**	**339**	**40**	**34**	**391**	**40**	**31**	**160**	**15**	**6**
Bexsero	556	390	43	34	152	25	20	342	45	36	62	94	75
Menveo	274	202	36	29	187	55	48	34	26	19	53	(2)	(7)
Other	60	70	(14)	(20)	–	–	–	15	(12)	(18)	45	(15)	(21)
Influenza	**488**	**414**	**18**	**12**	**361**	**15**	**10**	**49**	**53**	**44**	**78**	**16**	**9**
Fluarix, FluLaval	488	414	18	12	361	15	10	49	53	44	78	16	9
Shingles	**22**	**–**	**–**	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shingrix	22	–	–	–	22	–	–	–	–	–	–	–	–
Established vaccines	**3,760**	**3,516**	**7**	**1**	**1,147**	**10**	**5**	**1,160**	**4**	**(2)**	**1,453**	**7**	**1**
Infanrix, Pediarix	743	769	(3)	(8)	330	(2)	(7)	315	(6)	(11)	98	2	(4)
Boostrix	560	470	19	13	262	10	5	185	33	24	113	22	14
Hepatitis	693	602	15	10	379	29	23	201	2	(4)	113	2	(2)
Rotarix	524	469	12	6	132	2	(2)	95	27	19	297	12	6
Synflorix	509	504	1	(6)	–	–	–	67	(1)	(7)	442	1	(5)
Priorix, Priorix Tetra, Varilrix	301	300	–	(5)	–	–	–	164	8	1	137	(8)	(12)
Cervarix	134	81	65	57	–	–	–	29	(12)	(18)	105	>100	>100
Other	296	321	(8)	(13)	44	8	–	104	(7)	(11)	148	(12)	(17)
Vaccines	**5,160**	**4,592**	**12**	**6**	**1,869**	**17**	**12**	**1,600**	**12**	**6**	**1,691**	**8**	**1**

£% represents growth at actual exchange rates. CER% represents growth at constant exchange rates.

Five year record

A record of financial performance is provided, analysed in accordance with current reporting practice. The information included in the Five year record is prepared in accordance with IFRS as adopted by the European Union and also with IFRS as issued by the International Accounting Standards Board.

Group turnover by geographic region	**2018 £m**	2017 £m	2016 £m	2015 £m	2014 £m
US	**11,982**	11,263	10,197	8,222	7,409
Europe	**7,973**	7,943	7,476	6,435	6,284
International	**10,866**	10,980	10,216	9,266	9,313
	30,821	30,186	27,889	23,923	23,006

Group turnover by segment	**2018 £m**	2017 £m	2016 £m	2015 £m	2014 £m
Pharmaceuticals	**17,269**	17,276	16,104	14,157	15,438
Vaccines	**5,894**	5,160	4,592	3,656	3,159
Consumer Healthcare	**7,658**	7,750	7,193	6,038	4,322
Segment turnover	**30,821**	30,186	27,889	23,851	22,919
Corporate and other unallocated turnover	**–**	–	–	72	87
	30,821	30,186	27,889	23,923	23,006

Pharmaceuticals turnover					
Respiratory	**6,928**	6,991	6,510	5,741	6,168
HIV	**4,722**	4,350	3,556	2,322	1,498
Immuno-inflammation	**472**	377	340	263	214
Established Pharmaceuticals	**5,147**	5,558	5,698	5,831	7,558
	17,269	17,276	16,104	14,157	15,438

Vaccines turnover					
Meningitis	**881**	890	662	326	–
Influenza	**523**	488	414	268	215
Shingles	**784**	22	–	–	–
Established Vaccines	**3,706**	3,760	3,516	3,062	2,944
	5,894	5,160	4,592	3,656	3,159

Consumer Healthcare turnover					
Wellness	**3,940**	4,001	3,726	2,970	1,565
Oral care	**2,496**	2,466	2,223	1,875	1,806
Nutrition	**643**	680	674	684	633
Skin health	**579**	603	570	509	318
	7,658	7,750	7,193	6,038	4,322

Financial record continued

Five year record continued

Financial results – Total	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Turnover	**30,821**	30,186	27,889	23,923	23,006
Operating profit	**5,483**	4,087	2,598	10,322	3,597
Profit before taxation	**4,800**	3,525	1,939	10,526	2,968
Profit after taxation	**4,046**	2,169	1,062	8,372	2,831
	pence	pence	pence	pence	pence
Basic earnings per share	**73.7**	31.4	18.8	174.3	57.3
Diluted earnings per share	**72.9**	31.0	18.6	172.3	56.7
	2018 millions	2017 millions	2016 millions	2015 millions	2014 millions
Weighted average number of shares in issue:					
Basic	**4,914**	4,886	4,860	4,831	4,808
Diluted	**4,971**	4,941	4,909	4,888	4,865

Financial results – Adjusted	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Turnover	**30,821**	30,186	27,889	23,923	23,006
Operating profit	**8,745**	8,568	7,671	5,659	6,456
Profit before taxation	**8,078**	7,924	7,024	5,021	5,840
Profit after taxation	**6,543**	6,257	5,526	4,045	4,675
	pence	pence	pence	pence	pence
Adjusted earnings per share	**119.4**	111.8	100.6	74.6	92.7
	%	%	%	%	%
Return on capital employed	**134.0**	83.4	28.0	152.4	46.6

Return on capital employed is calculated as total profit before taxation as a percentage of average net assets over the year.

Five year record continued

Balance sheet	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Non-current assets	**41,139**	40,474	42,370	36,859	25,973
Current assets	**16,927**	15,907	16,711	16,587	15,059
Total assets	**58,066**	56,381	59,081	53,446	41,032
Current liabilities	**(22,491)**	(26,569)	(19,001)	(13,417)	(13,676)
Non-current liabilities	**(31,903)**	(26,323)	(35,117)	(31,151)	(22,420)
Total liabilities	**(54,394)**	(52,892)	(54,118)	(44,568)	(36,096)
Net assets	**3,672**	3,489	4,963	8,878	4,936
Shareholders' equity	**4,360**	(68)	1,124	5,114	4,263
Non-controlling interests	**(688)**	3,557	3,839	3,764	673
Total equity	**3,672**	3,489	4,963	8,878	4,936

Number of employees

	2018	2017	2016	2015	2014
US	**13,804**	14,526	14,491	14,696	16,579
Europe	**41,943**	43,002	42,330	43,538	37,899
International	**39,743**	40,934	42,479	43,021	43,443
	95,490	98,462	99,300	101,255	97,921
Manufacturing	**36,527**	38,245	38,372	38,855	32,171
Selling	**36,351**	37,374	38,158	39,549	42,785
Administration	**10,768**	11,307	11,244	11,140	10,630
Research and development	**11,844**	11,536	11,526	11,711	12,335
	95,490	98,462	99,300	101,255	97,921

The geographic distribution of employees in the table above is based on the location of GSK's subsidiary companies. The number of employees is the number of permanent employed staff at the end of the financial period. It excludes those employees who are employed and managed by GSK on a contract basis.

Exchange rates

As a guide to holders of ADS, the following tables set out, for the periods indicated, information on the exchange rate of US Dollars for Sterling as reported by the Bank of England (4pm buying rate).

The average rate for the year is calculated as the average of the 4pm buying rates for each day of the year.

	2018	2017	2016	2015	2014
Average	**1.34**	1.29	1.35	1.53	1.65

	2019 Mar	2019 Feb	2019 Jan	2018 Dec	2018 Nov	2018 Oct	2018 Sep
High	1.32	1.33	1.32	1.28	1.31	1.32	1.33
Low	1.32	1.28	1.26	1.25	1.27	1.27	1.28

The 4pm buying rate on 1 March 2019 was £1= US$1.32.

Financial record continued

Five year record continued

Adjusted results reconciliation 31 December 2018	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	30,821						30,821
Cost of sales	(10,241)	536	69	443	15	–	(9,178)
Gross profit	20,580	536	69	443	15	–	21,643
Selling, general and administration	(9,915)		2	315	98	38	(9,462)
Research and development	(3,893)	44	45	49		20	(3,735)
Royalty income	299						299
Other operating income/(expense)	(1,588)			2	1,864	(278)	–
Operating profit	5,483	580	116	809	1,977	(220)	8,745
Net finance costs	(717)			4	(3)	18	(698)
Profit on disposal of associates	3					(3)	–
Share of after tax profits of associates and joint ventures	31						31
Profit before taxation	4,800	580	116	813	1,974	(205)	8,078
Taxation	(754)	(109)	(19)	(170)	(239)	(244)	(1,535)
Tax rate	*15.7%*						*19.0%*
Profit after taxation	4,046	471	97	643	1,735	(449)	6,543
Profit attributable to non-controlling interests	423				251		674
Profit attributable to shareholders	3,623	471	97	643	1,484	(449)	5,869
Earnings per share	73.7p	9.6p	2.0p	13.1p	30.2p	(9.2)p	119.4p
Weighted average number of shares (millions)	4,914						4,914

Adjusted results reconciliation 31 December 2017	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	US tax reform £m	Adjusted results £m
Turnover	30,186							30,186
Cost of sales	(10,342)	546	400	545	80	–		(8,771)
Gross profit	19,844	546	400	545	80	–		21,415
Selling, general and administration	(9,672)			248		83		(9,341)
Research and development	(4,476)	45	288	263		18		(3,862)
Royalty income	356							356
Other operating income/(expense)	(1,965)				1,519	(220)	666	–
Operating profit	4,087	591	688	1,056	1,599	(119)	666	8,568
Net finance costs	(669)			4		8		(657)
Profit on disposal of associates	94					(94)		–
Share of after tax profits of associates and joint ventures	13							13
Profit before taxation	3,525	591	688	1,060	1,599	(205)	666	7,924
Taxation	(1,356)	(134)	(176)	(209)	(619)	(251)	1,078	(1,667)
Tax rate	*38.5%*							*21.0%*
Profit after taxation	2,169	457	512	851	980	(456)	1,744	6,257
Profit attributable to non-controlling interests	637				42		114	793
Profit attributable to shareholders	1,532	457	512	851	938	(456)	1,630	5,464
Earnings per share	31.4p	9.4p	10.5p	17.4p	19.2p	(9.4)p	33.3p	111.8p
Weighted average number of shares (millions)	4,886							4,886

Five year record continued

Adjusted results reconciliation 31 December 2016	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	27,889						27,889
Cost of sales	(9,290)	547	7	297	86	2	(8,351)
Gross profit	18,599	547	7	297	86	2	19,538
Selling, general and administration	(9,366)			514		55	(8,797)
Research and development	(3,628)	41	13	159	(81)	28	(3,468)
Royalty income	398						398
Other operating income/(expense)	(3,405)				3,914	(509)	–
Operating profit	2,598	588	20	970	3,919	(424)	7,671
Net finance costs	(664)			4		8	(652)
Share of after tax profits of associates and joint ventures	5						5
Profit before taxation	1,939	588	20	974	3,919	(416)	7,024
Taxation	(877)	(130)	(5)	(217)	(439)	170	(1,498)
Tax rate	*45.2%*						*21.3%*
Profit after taxation	1,062	458	15	757	3,480	(246)	5,526
Profit attributable to non-controlling interests	150				487		637
Profit attributable to shareholders	912	458	15	757	2,993	(246)	4,889
Earnings per share	18.8p	9.4p	0.3p	15.6p	61.6p	(5.1)p	100.6p
Weighted average number of shares (millions)	4,860						4,860

Adjusted results reconciliation 31 December 2015	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	23,923						23,923
Cost of sales	(8,853)	522	147	563	89	12	(7,520)
Gross profit	15,070	522	147	563	89	12	16,403
Selling, general and administration	(9,232)		7	1,009	88	151	(7,977)
Research and development	(3,560)	41	52	319		52	(3,096)
Royalty income	329						329
Other operating income/(expense)	7,715				2,061	(9,776)	–
Operating profit	10,322	563	206	1,891	2,238	(9,561)	5,659
Net finance costs	(653)			5		12	(636)
Profit on disposal of associates	843					(843)	–
Share of after tax profits of associates and joint ventures	14					(16)	(2)
Profit before taxation	10,526	563	206	1,896	2,238	(10,408)	5,021
Taxation	(2,154)	(161)	(50)	(441)	(352)	2,182	(976)
Tax rate	*20.5%*						*19.4%*
Profit after taxation	8,372	402	156	1,455	1,886	(8,226)	4,045
(Loss)/profit attributable to non-controlling interests	(50)				500	(10)	440
Profit attributable to shareholders	8,422	402	156	1,455	1,386	(8,216)	3,605
Earnings per share	174.3p	8.3p	3.2p	30.1p	28.8p	(170.1)p	74.6p
Weighted average number of shares (millions)	4,831						4,831

Financial record continued

Five year record continued

Adjusted results reconciliation 31 December 2014	Total results £m	Intangible asset amortisation £m	Intangible asset impairment £m	Major restructuring £m	Transaction -related £m	Divestments, significant legal and other items £m	Adjusted results £m
Turnover	23,006						23,006
Cost of sales	(7,323)	503	78	204	3		(6,535)
Gross profit	15,683	503	78	204	3		16,471
Selling, general and administration	(8,246)			430	68	536	(7,212)
Research and development	(3,450)	72	72	116		77	(3,113)
Royalty income	310						310
Other operating income/(expense)	(700)				768	(68)	–
Operating profit	3,597	575	150	750	839	545	6,456
Net finance costs	(659)			5		8	(646)
Share of after tax profits of associates and joint ventures	30						30
Profit before taxation	2,968	575	150	755	839	553	5,840
Taxation	(137)	(209)	(29)	(215)	(207)	(368)	(1,165)
Tax rate	*4.6%*						*19.9%*
Profit after taxation	2,831	366	121	540	632	185	4,675
Profit attributable to non-controlling interests	75				147		222
Profit attributable to shareholders	2,756	366	121	540	485	185	4,453
Earnings per share	57.3p	7.6p	2.5p	11.3p	10.2p	3.8p	92.7p
Weighted average number of shares (millions)	4,808						4,808

Pipeline, products and competition

Pharmaceuticals and Vaccines product development pipeline

Key

†	In-licence or other alliance relationship with third party	R	Receipt of Complete Response Letter
^	ViiV Healthcare, a global specialist HIV company with GSK, Pfizer, Inc. and Shionogi Limited as shareholders, is responsible for developing and delivering HIV medicines.	BLA	Biological Licence Application
		MAA	Marketing Authorisation Application (Europe)
		NDA	New Drug Application (US)
*	Registrational in PhII	Phase I	Evaluation of clinical pharmacology, usually conducted in volunteers
**	Under review		
1	Option-based alliance with Ionis Pharmaceuticals, Inc.	Phase II	Determination of dose and initial evaluation of efficacy, conducted in a small number of patients
2	Option-based alliance with Immunocore Ltd.		
3	Pending closure of transaction with Merck KGaA, Darmstadt, Germany		
S	First submission	Phase III	Large comparative study (compound versus placebo and/or established treatment) in patients to establish clinical benefit and safety
A	First regulatory approval (for MAA, this is the first EU approval letter)		

MAA and NDA/BLA regulatory review milestones shown in the table below are those that have been achieved. Future filing dates are not included in this list.

				Achieved regulatory review milestones	
Compound	**Type**	**Indication**	**Phase**	**MAA**	**NDA/BLA**
Oncology					
Zejula (niraparib)†	Poly (ADP-ribose) polymerase (PARP) 1/2 inhibitor	First line maintenance ovarian cancer and other solid tumours	III		
dostarlimab†	Anti-Programmed Cell Death protein 1 receptor (PD-1) antibody	Ovarian cancer	III		
		Non-small cell lung cancer, MSI-H cancer (incl endometrial)*	II		
2857916†	B-cell maturation antigen antibody drug conjugate	Multiple myeloma*	II		
3377794†	NY-ESO-1 autologous engineered TCR-T cells (engineered TCR)	Sarcoma, solid and heme malignancies	II		
3359609†	Induced T-cell co-stimulator (ICOS) agonist antibody	Non-small cell lung cancer and solid tumours	II		
molibresib (525762)	BET family bromodomain inhibitor	ER+ breast cancer, other solid tumours and haematological malignancies	II		
M7824†3	Transforming growth factor beta (TGFß) trap and immune checkpoint (PD-1) inhibitor bispecific	Non-small cell lung cancer	II		
TSR-022†	Anti-T-cell immunoglobulin and mucin domain-3 (TIM-3) antibody	Non-small cell lung cancer	II		
3174998†	OX40 agonist monoclonal antibody	Solid tumours and haematological malignancies	II		
3326595†	Protein arginine methyltransferase 5 (PRMT5) inhibitor	Solid tumours, heme malignancies	I/II		
1795091	Toll-like receptor 4 (TLR4) agonist	Cancer	I		
2636771	Phosphatidylinositol 3-kinase (PI3K) beta inhibitor	Cancer	I		
3368715†	Protein arginine methyltransferase 1 (PRMT1) inhibitor	Cancer	I		
3145095	RIP1 kinase inhibitor	Pancreatic cancer and selected solid tumors	I		
35371422	NY-ESO-1-targeting bispecific	Cancer	I		
TSR-033†	Anti-lymphocyte activation gene-3 (LAG-3) antibody	Cancer	I		
HIV^ and Infectious Diseases					
Dectova (zanamivir) i.v.†	Neuraminidase inhibitor (i.v.)	Influenza	Submitted	S: Nov17	
dolutegravir + lamivudine	HIV integrase strand transfer inhibitor + nucleoside reverse transcriptase inhibitor (NRTI)	HIV infection	Submitted	S:Sep18	S:Oct18
fostemsavir	HIV attachment inhibitor	HIV infection	III		

cabotegravir + rilpivirine†	HIV integrase strand transfer inhibitor + non-nucleoside reverse transcriptase inhibitor (NNRTI) (long-acting regimen)	HIV infection	III
cabotegravir	HIV integrase strand transfer inhibitor (long-acting)	HIV pre-exposure prophylaxis	III
gepotidacin	Type 2 topoisomerase inhibitor	Bacterial infections	II
3228836[1]	HBV antisense oligonucleotide	Hepatitis B	II
3389404[1]	HBV LICA antisense oligonucleotide	Hepatitis B	II
3640254	HIV maturation inhibitor	HIV infection	II
3036656†	Leucyl t-RNA synthetase inhibitor	Tuberculosis	I
3810109†	HIV broadly neutralizing antibody	HIV infection	I

Pipeline, products and competition continued

Pharmaceuticals and Vaccines product development pipeline continued

Compound	Type	Indication	Phase	Achieved regulatory review milestones	
				MAA	NDA/BLA
Immuno-inflammation					
Benlysta + *Rituxan*†	B lymphocyte stimulator monoclonal antibody (s.c.) + cluster of differentiation 20 (CD20) monoclonal antibody (i.v.)	Systemic lupus erythematosus Sjogren's syndrome	III II		
3196165†	Granulocyte macrophage colony-stimulating factor monoclonal antibody	Rheumatoid arthritis	II		
2982772	Receptor-interacting protein 1 (RIP1) kinase inhibitor	Psoriasis**, rheumatoid arthritis, ulcerative colitis	II		
2330811	Oncostatin M (OSM) monoclonal antibody	Systemic sclerosis	II		
2831781†	Lymphocyte activation gene 3 (LAG3) protein monoclonal antibody	Ulcerative colitis	I		
2983559	Receptor-interacting protein 2 (RIP2) kinase inhibitor	Inflammatory bowel diseases**	I		
3358699†	BET targeted inhibitor	Rheumatoid arthritis	I		
3858279†	CCL17 inhibitor	Pain in osteoarthritis	I		
Respiratory					
mepolizumab	Interleukin 5 (IL5) monoclonal antibody	COPD hypereosinophilic syndrome and nasal polyposis	Complete response letter III		R: Sep18
fluticasone furoate + vilanterol† + umeclidinium	Glucocorticoid agonist + long-acting beta2 agonist + muscarinic a cetylcholine antagonist	Asthma	III		
2586881†	Recombinant human angiotensin converting enzyme 2 (rhACE2)	Acute lung injury** and pulmonary arterial hypertension	II		
2862277	Tumour necrosis factor receptor-1 (TNFR1) domain antibody	Acute lung injury	II		
3772847†	Interleukin 33r (IL33r) monoclonal antibody	Asthma	II		
2881078	Selective androgen receptor modulator	COPD muscle weakness	II		
nemiralisib	Phosphatidylinositol 3-kinase delta (PI3Kδ) inhibitor	Activated PI3K delta syndrome	I		
2292767	Phosphatidylinositol 3-kinase delta (PI3Kδ) inhibitor	Respiratory diseases**	I		
3511294†	Interleukin 5 (IL5) long-acting monoclonal antibody	Asthma	I		
Other Pharmaceuticals					
Krintafel† (tafenoquine)	8-aminoquinoline	Plasmodium vivax malaria	Approved		A: Jul18
daprodustat (1278863)	Prolyl hydroxylase inhibitor (oral)	Anaemia associated with chronic renal disease	III		
oxytocin (inhaled)†	Oxytocin	Postpartum hemorrhage	II		
linerixibat (2330672)	Ileal bile acid transporter (IBAT) inhibitor	Cholestatic pruritus	II		
3439171†	Hematopoietic prostaglandin D2 (hPGD2) synthase inhibitor	Muscle repair	I		

Pharmaceuticals and Vaccines product development pipeline continued

Compound	Type	Indication	Phase	Achieved regulatory review milestones MAA	NDA/BLA
Vaccines					
Shingrix† (Zoster Vaccine)	Recombinant	Herpes Zoster prophylaxis Herpes Zoster prophylaxis for immunocompromised	Approved III	A:March 2018	
Bexsero	Recombinant	Meningococcal B disease prophylaxis in infants	III (US)		
Rotarix	Live attenuated, PCV (Porcine circovirus) free	Rotavirus prophylaxis	III		
MMR	Live attenuated	Measles, mumps, rubella prophylaxis	III (US)		
COPD†	Recombinant	Reduction of the frequency of moderate and severe acute exacerbations in COPD patients by targeting non-typeable Haemophilus influenzae and Moraxella catarrhalis	II		
Hepatitis C†	Heterologous recombinant viral vectors	Hepatitis C virus prophylaxis: prevention of establishment of chronic infection	II		
Malaria next generation†	Recombinant	Malaria prophylaxis (Plasmodium falciparum)	II		
Men ABCWY	Recombinant – conjugated	Meningococcal A,B,C,W and Y disease prophylaxis in adolescents	II		
Menveo Liquid	Conjugated	Meningococcal A,C,W and Y disease prophylaxis in adolescents	II		
Shigella†	Conjugated and outer membrane	Shigella diarrhea prophylaxis	II		
Tuberculosis†	Recombinant	Tuberculosis prophylaxis	II		
RSV†	Replication-defective recombinant viral vector	Respiratory syncytial virus prophylaxis in paediatric population Respiratory syncytial virus prophylaxis in older adult population Respiratory syncytial virus prophylaxis in maternal population	II I/II I/II		
HIV†	Recombinant proteins	HIV infection prophylaxis	II		
Flu universal†	Universal inactivated split influenza vaccine	Flu disease prophylaxis with broad protection over multiple seasons	I/II		

Brand names appearing in italics are trade marks owned by or licensed to the GSK group of companies.

Pipeline, products and competition continued

Pharmaceutical products, competition and intellectual property

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[2] US	EU
Respiratory					
Anoro Ellipta	umeclidinium bromide/ vilanterol trifenatate	COPD	Stiolto Respimat, Utibron/Ultibro Breezhaler, Duaklir Genuair Bevespi, Aerosphere	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Arnuity Ellipta	fluticasone furoate	asthma	Qvar, Pulmicort Asmanex, Alvesco	2021 (NCE) 2027-2030 (device/ formulation)	NA
Avamys/Veramyst	fluticasone furoate	rhinitis	Nasonex	2021[1]	2023
Flixotide/Flovent	fluticasone propionate	asthma/COPD	Qvar, Singulair	expired (*Diskus* device) 2019-2026 (HFA-device)	expired (*Diskus* device) expired (HFA-device)
Incruse Ellipta	umeclidinium bromide	COPD	Spiriva Handihaler/ Respimat, Eklira Genuair Seebri Breezhaler	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Nucala	mepolizumab	severe eosinophilic asthma, EGPA	Xolair, Cinqair, Fasenra, Dupixent	2019[3]	2020[3]
Relvar/Breo Ellipta	fluticasone furoate/ vilanterol trifenatate	asthma/COPD	Symbicort, Foster, Flutiform, Dulera	2025 (NCE) 2027-2030 (device/ formulation)	2027 (NCE) 2022-2026 (device/ formulation)
Seretide/Advair	salmeterol xinafoate/ fluticasone propionate	asthma/COPD	Symbicort, Foster, Flutiform, Dulera	expired (*Diskus* device) 2019-2026 (HFA-device)	expired (*Diskus* device) expired (HFA-device)
Trelegy Ellipta	fluticasone furoate/ vilanterol trifenatate umeclidinium bromide	COPD	Trimbow	2027 (NCE) 2027-2030 (device/ formulation)	2029 (NCE) 2022-2026 (device/ formulation)
Ventolin HFA	albuterol sulphate	asthma/COPD	generic companies	2019-2026 (HFA-device)	expired (HFA-device)
Anti-virals					
Valtrex	valaciclovir	genital herpes, coldsores, shingles	Famvir	expired	expired
Central nervous system					
Lamictal	lamotrigine	epilepsy, bipolar disorder	Keppra, Dilantin	expired	expired
Imigran/Imitrex	sumatriptan	migraine	Zomig, Maxalt, Relpax	expired	expired
Seroxat/Paxil	paroxetine	depression, various anxiety disorders	Effexor, Cymbalta, Lexapro	expired	expired
Cardiovascular and urogenital					
Avodart	dutasteride	benign prostatic hyperplasia	Proscar, Flomax, finasteride	expired	expired
Anti-bacterials					
Augmentin	amoxicillin/clavulanate potassium	common bacterial infections	generic products	NA	expired

Rare diseases					
Volibris	ambrisentan	pulmonary hypertension	Tracleer, Revatio	NA	2020
Immuno-inflammation					
Benlysta, Benlysta SC	belimumab	systemic lupus erythematosus		2025	2026

1 Generic competition commenced in 2017.

2 Includes Supplementary Protection Certificates which were granted in multiple countries in EU and patent term extensions granted in the US.

3 Data exclusivity expires 2025 (EU) and 2027 (US).

Pharmaceutical products, competition and intellectual property continued

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[3] US	EU
HIV					
Epzicom/Kivexa	lamivudine and abacavir	HIV/AIDS	Truvada, Atripla Descovy, Genvoya Odefsey	expired	2019[1,2] (combination)
Juluca	dolutegravir, rilpivirine	HIV/AIDS	Genvoya, Odefsey Descovy, Atripla	2027 (NCE)	2029 (NCE)
Selzentry/Celsentri	maraviroc	HIV/AIDS	Isentress, Intelence, Prezista	2021 (NCE)	2022 (NCE)
Tivicay	dolutegravir	HIV/AIDS	Isentress, Prezista Reyataz, Kaletra, Biktarvy	2027[1] (NCE)	2029 (NCE)
Triumeq	dolutegravir, lamivudine and abacavir	HIV/AIDS	Atripla, Descovy, Odefsey, Genvoya, Biktarvy	2027 (NCE)	2029 (NCE)

Vaccine products, competition and intellectual property

Products	Compounds	Indication(s)	Major competitor brands	Patent expiry dates[3] US	EU
Bexsero	meningococcal group-B vaccine	Meningitis group B prevention	Trumenba	2027	2028
Boostrix	diphtheria, tetanus, acellular pertussis	diphtheria, tetanus, acellular Pertussis booster vaccination	Adacel	expired	expired
Infanrix Hexa/Pediarix	diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU)	Prophylaxis against diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU)	Pentacel, Pediacel, Pentaxim, Pentavac, Hexaxim, Hexyon Vaxelis	expired	expired
Cervarix	HPV 16 & 18 virus like particles (VLPs), AS04 adjuvant (MPL + aluminium hydroxide)	human papilloma virus type 16 and 18	*Gardasil* (Silgard)	2028	2022
Fluarix Tetra	split inactivated influenza antigens (2 virus subtypes A and 2 subtype B)	seasonal influenza prophylaxis	Intenza, Flumist QIV, Vaxigrip QIV, Fluzone QIV, Fluzone High Dose	2022	2022
FluLaval	split inactivated influenza antigens (2 virus subtypes A and 2 subtype B)	seasonal influenza prophylaxis	Vaxigrip, Mutagrip, Fluzone, Influvac, Aggripal, Fluad, Intenza, Flumist	2022	2022
Menveo	meningococcal group A, C, W-135 and Y conjugate vaccine	Meningitis group A, C, W-135 and Y prophylaxis	Nimenrix, Menactra	2025	2025
Prepandrix	derived split inactivated influenza virus antigen, AS03 adjuvant	pandemic H5N1 influenza prophylaxis	Aflunov, Vepacel	–	2026
Priorix, Priorix Tetra[a,b] Varilrix[b]	live attenuated measles, mumps, rubella and varicella vaccine	measles, mumps, rubella and chickenpox prophylaxis	MMR II (M-M-RVaxPro) Proquad, Varivax	2019[4]	expired
Rotarix	Human rotavirus RIX4414 strain	Rotavirus prophylaxis	Rotateq	–	2020
Synflorix	conjugated pneumococcal polysaccharide	Prophylaxis against invasive disease, pneumonia, acute otitis media	Prevenar (Prevnar)	NA	2024
Shingrix	zoster vaccine recombinant, adjuvanted	herpes zoster (shingles)	Zostavax	2026	2026

1 See Note 45 to the financial statements, ‘Legal proceedings’.
2 Generic competition commenced in many markets during 2016.
3 Includes Supplementary Protection Certificates which were granted in multiple countries in EU and patent term extensions granted in the US.
4 Refers to *Priorix* and *Priorix Tetra*, as all patents on *Varilrix* have expired.
a Related compounds/indications are measles, mumps and rubella vaccine/prophylaxis
b Related compound is varicella vaccine

Pipeline, products and competition continued

Consumer Healthcare products and competition

Brand	Products	Application	Markets	Competition
Wellness				
Respiratory				
Otrivin	nasal spray	nasal decongestant	Germany, Poland, Russia, Sweden, Ukraine	Afrin, Merck Nasivin, Merck
Theraflu	tablets, syrups and pods	cold and flu relief	Russia, Poland, Ukraine, US	Tylenol Cold & Flu, Johnson & Johnson Mucinex, Reckitt Benckiser Lemsip, Reckitt Benckiser
Flonase	nasal spray	allergy relief	US	Claritin, Bayer, Nasacort, Sanofi
Flixonase, Piriton	nasal spray, tablets	allergy relief	UK, Ireland	Benadryl, Johnson & Johnson
Nicorette (US), NicoDerm, Nicotinell (ex. Australia)	lozenges, gum and trans-dermal patches	treatment of nicotine withdrawal as an aid to smoking reduction and cessation	global	Nicorette, Johnson & Johnson NiQuitin, Perrigo
Pain relief				
Panadol and Panadol Cold & Flu	tablets, caplets, infant syrup drops	paracetamol-based treatment for headache, joint pain, fever, cold symptoms	global (except US)	Advil, Pfizer Aspirin, Bayer Tylenol, Johnson & Johnson
Voltaren	topical gel	non-steroidal, diclofenac based anti-inflammatory	global (except US)	Advil, Pfizer Aspirin, Bayer Tylenol, Johnson & Johnson
Other				
ENO	effervescent	immediate relief antacid	global (except US)	Estomazil, Hypermarca Gelusil, Pfizer
Tums	chewable tablets	immediate relief antacid	US	Alka-Seltzer, Bayer Gaviscon, Reckitt Benckiser Rolaids, Sanofi
Oral health				
Sensodyne, Pronamel	toothpastes, toothbrushes, mouth rinse	relief of dentinal hypersensitivity. *Pronamel* additionally protects against acid erosion	global	Colgate Sensitive Pro-Relief, Colgate-Palmolive Elmex, Colgate-Palmolive Oral B, Procter & Gamble
parodontax/ Corsodyl	toothpaste, medicated mouthwash, gel and spray	helps stop and prevent bleeding gums, treats and prevents gingivitis	global	Colgate Total Gum Health, Colgate-Palmolive Oral B Gum & Enamel Repair, Crest Gum Detoxify, Procter & Gamble
Polident, Poligrip, Corega	denture adhesive, denture cleanser, wipes	improve retention and comfort of dentures, cleans dentures	global	Fixodent and Kukident, Procter & Gamble, Steradent, Reckitt Benckiser
Aquafresh	toothpastes, toothbrushes mouthwashes	aids prevention of dental cavities, maintains healthy teeth, gums and fresh breath	global	Colgate, Colgate-Palmolive Crest, Procter & Gamble Oral-B, Procter & Gamble
Skin health				
Zovirax Abreva	topical cream and non-medicated patch	lip care to treat and prevent the onset of cold sores	global	Compeed, Johnson & Johnson Carmex, Carma Labs Blistex, Blistex Incorporated retail own label
Nutrition				
Horlicks	malted drinks and foods	nutritional beverages & food	Indian sub-continent, United Kingdom, Ireland	Bournvita, Mondelez Complan, Heinz

Principal risks and uncertainties

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. The risks below are those that we believe could cause our actual results to differ materially from expected and historical results. During 2018 we have evolved the cycle of management of these risks which helps us Identify, manage and report on our most important risks in a proportionate and consistent way.

We must adapt to and comply with a broad range of laws and regulations which apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccine and Consumer Healthcare products. These affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully on a continuous basis.

Also, during 2018 we have improved consistency of risk management across the organisation through evolution of our enterprise risk management and reporting cycle.

As rules and regulations change, and governmental interpretation evolves, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable law and regulations could materially and adversely affect our financial results.

Similarly, our global business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties involved in our significant unresolved disputes and potential litigation is set out in Note 45, ‘Legal proceedings,’ on pages 215 to 218.

UK regulations require a discussion of the mitigating activities a company takes to address principal risks and uncertainties. A summary of the activities that the Group takes to manage each of our principal risks accompanies the description of each principal risk below. The principal risks and uncertainties are not listed in order of significance.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report human safety information (HSI), including adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The risk impact has the potential to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/ benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/ analyses, as appropriate. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace. Questions about

Mitigating activities

The Chief Medical Officer (CMO), who is also the Medical Officer for Pharmaceuticals, is responsible for medical governance under a global policy. Under that policy, safeguarding human subjects in our clinical trials and patients who take our products is of paramount importance, and the CMO has the authoritative role for evaluating and addressing matters of human safety.

Individual Medical Officers within the Pharmaceutical, Vaccines and Consumer Healthcare businesses and our substantial Safety and Pharmacovigilance organisation keep track of any adverse issues reported for our products during the course of clinical studies. Once a Group product is approved for marketing, we have an extensive post-marketing surveillance and signal detection system. Information on possible side effects of products is received from several sources including unsolicited reports from healthcare professionals (HCPs) and patients, regulatory authorities, medical and scientific literature, traditional media and social media. It is our policy that employees are required to report immediately any issues relating to the safety or quality of our products. Each of our country managers is responsible for monitoring, exception tracking and training that helps assure the collection of safety information and reporting the information to the relevant central safety department, in accordance with policy and legal requirements.

the safety of our products may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third parties that may analyse publicly available clinical trial results. Constant vigilance and flexibility is required in order to respond to a varied regulatory environment which continues to evolve and diverge globally.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who take our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group's financial results.

Information that changes the risk/benefit profile of one of our products will result in certain actions to characterise, communicate and minimise the risk. Proposed actions are discussed with regulatory authorities and can include modifying the prescribing information, communications to physicians and other healthcare providers, restrictions on product prescribing/availability to help assure safe use, and sometimes carrying out further clinical trials. In certain cases, it may be appropriate to stop clinical trials or to withdraw the medicine from the market.

Principal risks and uncertainties continued

Patient safety continued

Our Global Safety Board (GSB), comprising senior physicians and representatives of supporting functions, is an integral component of the system. The GSB (including subsidiary boards dedicated to Consumer Healthcare products and Vaccines) reviews the safety of investigational and our marketed products and has the authority to stop a clinical trial if continued conduct of such trial is not ethically or scientifically justified in light of information that has emerged since the start of the trial.

In addition to the medical governance framework as described above, we use several mechanisms to foster the early evaluation, mitigation and resolution of disputes as they arise, and of potential claims even before they occur. The goal of the programmes is to create a culture of early identification and evaluation of risks and claims (actual or potential) that remains strong through organisational and regulatory change, in order to minimise liability and litigation.

Product quality

Risk definition

Failure to comply with current Good Manufacturing Practices (cGMP) or inadequate controls and governance of quality in the supply chain covering supplier standards, manufacturing and distribution of products.

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety resulting in product launch delays, supply interruptions and product recalls. This would have the potential to do damage to our reputation, as well as result in other regulatory, legal and financial consequences.

Context

Patients, consumers and HCPs trust the quality of our products. Product quality may be influenced by many factors including product and process understanding, consistency of manufacturing components, compliance with GMP, accuracy of labelling, reliability of the external supply chain, and the embodiment of an overarching quality culture. The internal and external environment continues to evolve as new products and new legislation are introduced. Critically, we are addressing the impact of Brexit on our supply chain management and quality oversight between the UK and the EU and are developing and deploying appropriate contingency plans to avoid interruption of supply to patients.

Mitigating activities

An extensive global network of quality and compliance professionals is aligned with each business unit to provide oversight and assist with the delivery of quality performance and operational compliance, from site level to senior management level. Management oversight of those activities is accomplished through a hierarchy of Quality Councils and through an independent Chief Product Quality Officer and Global Product Quality Office.

We have developed and implemented a single Quality Management System that defines the quality standards and systems for our businesses associated with Pharmaceuticals, Vaccines and

There is no single external quality standard or system that governs the detailed global regulatory expectations for the quality of medicinal products. Requirements are often complex and fragmented across national and regional boundaries. We have therefore adopted the internationally recognised principles from the ‘ICH Q10: Pharmaceutical Quality Systems’ framework as the basis for the GSK Quality Management System.

This is an industry standard which incorporates quality concepts throughout the product lifecycle. The GSK Quality Management System is augmented by a consolidation of the numerous regulatory requirements defined by markets across the world, which assures that it meets external expectations for product quality in the markets supplied. The Quality Management System is routinely updated to ensure that it keeps pace with the evolving external regulatory environment and with new scientific understanding of our products and processes. As part of our drive to continually improve the operational deployment of our Quality Management System, we are making our policies and procedures simpler to understand and implement, as well as adopting innovative tools to give a more user-friendly experience.

We provide the Corporate Executive Team & Risk Oversight and Compliance Council with an integrated assessment of Regulated Quality (GxP) performance. The defined key performance indicators cover manufacturing practice, clinical practice, pharmacovigilance practice, regulatory practice, drug safety assessment, and animal welfare.

We have implemented a risk-based approach to assessing and managing third party suppliers that provide materials which are used in finished products. Contract manufacturers making our products are expected to comply with GSK standards and are regularly audited to provide assurance that standards are met.

All staff members are regularly trained to ensure that cGMP standards and behaviours based on our values and expectations are followed. Additionally, advocacy and communication programmes are routinely deployed to ensure consistent messages are conveyed across the organisation, whether they originate from changes in regulation, learnings from inspections, or regulatory submissions. There is a continued emphasis on the value of quality performance metrics to facilitate improvement and foster a culture of ‘right first time’.

Consumer Healthcare products and clinical trial materials. This system has a broad scope and is applicable throughout the product lifecycle from R&D to mature commercial supply.

Financial controls and reporting

Risk definition

Failure to comply with current tax laws or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. Changes in tax laws or in their application with respect to matters such as transfer pricing, foreign dividends, controlled companies, R&D tax credits, taxation of intellectual property or a restriction in tax relief allowed on the interest on debt funding, could impact our effective tax rate. Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults.

Any changes in the substance or application of the governing tax laws, failure to comply with such tax laws or significant losses due to treasury activities could materially and adversely affect our financial results.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this may lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, on a daily basis. These transactions involve market volatility and counterparty risk.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and takes into account regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate. In addition, the worldwide nature of our operations means that our intellectual property, R&D and manufacturing operations are centered in a number of key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end

We expect there to be continued focus on tax reform in 2019 and future years driven by initiatives of the Organisation for Economic Cooperation & Development to address the taxation of the digital economy and European Commission initiatives including the use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principles and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation and relationship with key stakeholders.

Mitigating activities

Financial results are reviewed and approved by regional management and then reviewed with the Financial Controller and the Chief Financial Officer (CFO). This allows our Financial Controller and our CFO to assess the evolution of the business over time, and to evaluate performance to plan. Significant judgments are reviewed and confirmed by senior management. Business re-organisations and newly acquired activities are integrated into risk assessments and appropriate controls and reviews are applied.

Counterparty exposure is subject to defined limits approved by the Board for both credit rating and individual counterparties. Oversight of Treasury's role in managing counterparty risk in line with agreed policy is performed by a Corporate Compliance Officer, who operates independently of Treasury. Further details on mitigation of Treasury risks can be found on pages 198 to 200, Note 42, 'Financial instruments and related disclosures'.

We maintain a control environment designed to identify material errors in financial reporting and disclosure. The design and operating effectiveness of key financial reporting controls are regularly tested by management and via Independent Business Monitoring. This provides us with the assurance that controls over key financial reporting and disclosure processes have operated effectively. A minimum standard control set has been implemented, whereby all Finance activities, are required to apply and ensure they are monitored. Our Global Finance Risk Management and Controls Centre of Excellence provides extra support to large Group organisations undergoing transformation such as system deployment or significant business and finance transformations. We have also added operational resources to ensure processes and controls are maintained during business transformation, the upgrade of our financial systems and processes. Additional risk mitigation has been introduced by amending the programme timelines of system upgrades to optimise delivery.

The Disclosure Committee reporting to the Board, reviews the Group's quarterly results and Annual Report and determines throughout the year, in consultation with its legal advisors, whether it is necessary to disclose publicly information about the Group through Stock Exchange announcements. The Treasury Management Group meets on a regular basis to seek to ensure that liquidity, interest rate, counterparty, foreign currency transaction and foreign currency translation risks are all

markets, can be complex and result in conflicting claims from tax authorities as to the profits to be taxed in individual countries. Tax legislation itself is also complex and differs across the countries in which we operate. As such, tax risk can also arise due to differences in the interpretation of such legislation. The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities.

managed in line with the conservative approach as detailed in the associated risk strategies and policies which have been adopted by the Board.

Principal risks and uncertainties continued

Financial controls and reporting continued

Tax risk is managed through robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations. We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. We monitor government debate on tax policy in our key jurisdictions to deal proactively with any potential future changes in tax law. We engage advisors and legal counsel to confirm the implications for our business of tax legislation such as the recently enacted US Tax Cuts and Jobs Act. Where appropriate, we are active in providing relevant business input to tax policy makers. Significant decisions are submitted for consideration to the Tax Governance Board which meets quarterly and comprises senior personnel from across GSK's Finance division.

Our tax affairs are managed on a global basis through a co-ordinated team of tax professionals led by the Global Head of Tax who works closely with the business. Our tax professionals are suitably qualified for the roles they perform, and we support their training needs in order that they continue to be able to provide up to date technical advice. We submit tax returns according to statutory time limits and engage with tax authorities to seek to ensure our tax affairs are current, entering arrangements such as Continuous Audit Programmes and Advance Pricing Agreements where appropriate. These agreements provide long-term certainty for both tax authorities and for us over the tax treatment of our business. In exceptional cases where matters cannot be settled by agreement with tax authorities, we may have to resolve disputes through formal appeals or other proceedings.

We keep up-to-date with the latest developments in financial reporting requirements by working with our external auditor and legal advisors.

Anti-bribery and corruption (ABAC)

Risk definition

Failure of GSK employees, consultants and third parties to comply with our Anti-bribery & corruption (ABAC) principles and standards, as well as with all applicable legislation.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action, and civil and criminal liability and may compromise the Group's ability to supply its products under certain government contracts. In addition to legal and financial penalties, a failure to prevent bribery through complying with ABAC legislation and regulations could have substantial implications for the reputation of the company, the credibility of senior leaders, and an erosion of investor confidence in our governance and risk management.

Context

We are exposed to bribery and corruption risk through our global business operations. In some markets, the government structure and the rule of law are less developed, and this has a bearing on our bribery and corruption risk exposure. In addition to the global nature of our business, the healthcare sector by its very nature maintains relationships with government bodies, is highly competitive and subject to regulation. This increases the instances where we are exposed to bribery and corruption risk.

The Group has been subject to a number of ABAC inquiries. We reached a resolution with the US authorities in 2016 regarding their ABAC inquiry, following which we were subject to a self-monitoring arrangement. The self-monitorship concluded in September 2018. Government investigations regarding our China and other business

Mitigating activities

Programme governance is provided through Enterprise Risk Management overseen by the ABAC Governance Board which includes representation from key functional areas and the business. We have a dedicated ABAC team responsible for the implementation and evolution of the programme in response to developments in the internal and external environment. This is complemented with independent oversight and assurance undertaken by the Audit & Assurance and Independent Business Monitoring teams.

We have an enterprise-wide ABAC programme designed to ensure compliance with our ABAC policies and mitigate the risk of bribery and corruption. It builds on our business standards, values and expectations to form a comprehensive and practical approach to compliance and is flexible to the evolving nature of our business.

Our Code of Conduct, values and expectations, and commitment to zero tolerance are integral to how we mitigate this risk. In light of the complexity and geographic breadth of this risk, we constantly evolve our oversight of activities and data, reinforce to our workforce clear expectations regarding acceptable behaviours, and maintain regular communications between the centre and local markets.

Our ABAC programme is built on best in class principles and is subject to ongoing review and development. It provides us with the basis from which we seek to manage the risk from top down and bottom up. For example, the programme comprises top-level commitment from the Board of Directors and leadership, a global risk assessment and key risk indicators to enable targeted intervention and risk management activities. The programme is underpinned by a global ABAC policy and written standards that address commercial and other practices that give rise to ABAC risk and ongoing communications. We provide mandatory periodic ABAC training to our staff and relevant third parties

operations are ongoing. These investigations are discussed further in Note 45, ‘Legal proceedings’.

in accordance with their roles, responsibilities and the risks they face. In addition, the programme mandates enhanced controls over interactions with government officials and during business development transactions.

We continually benchmark our ABAC programme against other large multinational companies and use external expertise and internal insights to drive improvements in the programme.

Commercial practices

Risk definition

Failure to engage in commercial activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements relating to marketing and communications about our medicines and associated therapeutic areas; appropriate interactions with healthcare professionals (HCPs) and patients; and legitimate and transparent transfer of value.

Risk impact

Failure to manage risks related to commercial practices could materially and adversely affect our ability to grow a diversified global business and deliver more products of value for patients and consumers. Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs which could result in government sanctions, and criminal and/or financial penalties. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the risk/benefit profile of our products and possibly suboptimal treatment of patients and consumers.

Any practices that are found to be misaligned with our values could also result in reputational harm and dilute trust established with external stakeholders.

Context

We operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products that reflect insights which help ensure those products address the needs of patients/consumers, HCPs, and payers are critical to achieve our strategic objectives.

As other pharmaceutical, vaccine and consumer companies, we face downward price pressure in major markets, declining emerging market growth, and negative foreign exchange impact.

Developing new Pharmaceutical, Vaccine and Consumer Healthcare products is a costly, lengthy and an uncertain process. A product candidate may fail at any stage, including after significant economic and human resources have been invested. Our competitors' products or pricing strategies, or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our mission to improve the quality of human

Mitigating activities

Our strategic objectives are designed to ensure we achieve our mission of helping people do more, feel better and live longer. We continue to strive for new product launches that are competitive and resourced effectively. We also strive to have a healthy proportion of the Group's sales ratio attributable to new product or innovation sales.

This innovation helps us defray the effect, for example, of downward price pressure in major markets, declining emerging market growth and negative foreign exchange impact. Establishing new products that are priced to balance expectations of patients and consumers, HCPs, payers, shareholders, and the community enables us to maintain a strong global business and remain relevant to the needs of patients and consumers. Our values and behaviours provide a guide for how we lead and make decisions. We constantly strive to do the right thing and deliver quality products and ensure supply is sustained to meet customer needs and demand requirements, seeking to ensure our actions reflect our values, behaviours and the mission of our company.

We have taken action to enhance and improve standards and procedures for customer and consumer engagement utilising the application of data analytics and e-commerce channels. We have policies and standards governing commercial activities undertaken by us or on our behalf. Training has been implemented to support the evolution of our activities to all relevant employees. All of these activities we conduct worldwide must conform to high ethical, regulatory, and industry standards. Where local standards differ from global standards, the more stringent of the two applies. We have harmonised policies and procedures to guide above-country commercial practice processes as well as clarified applicable standards for operations in the various markets in which we operate. Each business has adopted the Internal Control Framework to support the assessment and management of its risks. Commercial practices activities have appropriate monitoring programmes and oversight from both business unit Risk Management and Compliance Boards and Country Executive Boards that manage risks across in-country business activities. Where in the past we have fallen below our own or any other regulatory or industry standards, we have sought to improve both the framework and culture for our compliance processes.

All promotional materials and activities must be reviewed and approved according to our policies and standards, and conducted in accordance with local laws and regulations, to seek to ensure that these materials and activities fairly represent the products or services of the Group. When necessary, we have disciplined (up to and including termination) employees who have engaged in misconduct and have broadened our ability to claw back remuneration from senior management in the event of misconduct.

We have eliminated rewards based on individual sales or market share of prescription products for sales professionals and their managers

life by enabling people to do more, feel better, and live longer. To accomplish this mission, we engage the healthcare community in various ways to provide important information about our medicines. Promotion of approved products seeks to ensure that HCPs globally have access to information they need, that patients and consumers have access to the information and products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal and ethical manner.

who interact with HCPs in favour of rewards based on the quality of the individuals' interactions with HCPs.

In October 2018, we announced changes that allow fair market value payments to be made by GSK to expert practitioners to speak about our innovative medicines and vaccines in a limited number of countries during a restricted time period in a product's lifecycle. New controls and training have been implemented to support these changes while ensuring appropriate oversight and assurance across the markets. Under the new policy, we will expand our reporting of payments to individual HCPs as part of our commitment to transparency and responsible disclosure.

Principal risks and uncertainties continued

Privacy

Risk definition

The failure to collect, secure, use and destroy personal information (PI) in accordance with applicable data privacy laws.

Risk impact

Non-compliance can lead to harm to individuals (e.g. financial loss, distress, prejudice) and GSK (e.g. fines, management time, operational inefficiency, out of pocket costs, and reputational damage). It can also damage trust between GSK and individuals, communities, business partners and government authorities.

The General Data Protection Regulation (GDPR) increased the enforcement powers of EU supervisory authorities, including by allowing them to impose fines of up to 4% of global revenue, and to require the suspension of processing PI in certain circumstances. GDPR also gives individuals the right to bring collective legal actions against GSK for failure to comply with data privacy laws.

Context

Data Privacy laws are diverse, with limited harmonisation, despite Europe's adoption of GDPR. In many countries in which GSK operates, local data privacy laws govern how GSK can collect and use PI. It is challenging for multi-nationals to standardise their approach to compliance with data privacy laws due to the high-level of local variation. Governments are enforcing compliance with data privacy laws more rigorously. There is an increasing focus on the ethical use of PI, over and above compliance with data privacy laws, and individuals are increasingly aware of their rights under data privacy laws.

Mitigating activities

The Chief Compliance Officer is also the chairperson of the Privacy Governance Board (PGB), which oversees GSK's overall data privacy programme. Each business and function has appointed a Risk Owner who is accountable for the oversight of privacy risks associated with that business or functional area. They are supported by Privacy Leaders within their business or function. Additionally, in some countries data privacy laws require a Data Protection Officer (DPO) to be appointed. GSK has appointed a single DPO for the European Union, who is represented and supported in specific countries by Country Privacy Advisors. The Chief Compliance Officer is the Enterprise Risk Owner (ERO). The ERO has appointed a delegate risk owner, the Global Privacy Officer (GPO) who has accountability on a day-to-day basis for designing and implementing the control framework. The GPO co-leads the cross-functional Privacy Centre of Excellence (CoE), together with the Global Privacy Counsel. They are supported by Privacy Officers and Privacy Counsel for each Region and multiple Country Privacy Advisors (who are familiar with local privacy regulations).

GSK has emphasised the importance of data privacy from an internal risk management perspective by separating Privacy as a new, standalone Enterprise Risk from the Information Security Enterprise Risk. It has created a Privacy Centre of Excellence in Global Ethics and Compliance, which has overseen: (i) the implementation of a control framework; (ii) remediation of certain existing business activities to ensure compliance with GDPR (including adopting privacy controls e.g. privacy contract terms, written records of processing activities, data protection impact assessments) and (iii) a comprehensive training programme to drive greater awareness and accountability for managing PI across the entire organisation. Key roles of the privacy network at GSK will be certified with an accredited international privacy association.

Through monitoring, we continuously improve our processes, such as issue identification, reporting and handling capabilities. We are developing a process to detect and assess new privacy regulations to proactively prepare and mitigate regulatory risk to GSK.

Research practices

Risk definition

Failure to adequately conduct ethical and sound preclinical and clinical research. In addition, failure to engage in scientific activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements, and failure to secure adequate patent protection for GSK's products.

Risk impact

Context

Research relating to animals can raise ethical concerns. While we attempt to address this proactively, animal studies remain a vital part of our research. In many cases, they are the only method that can be used to investigate the effects of a potential new medicine in a living body before it is studied in humans. Animal research can provide critical information about the causes of diseases and how they develop. Nonetheless, we are continually seeking ways in which we

The impacts of the risk include harm to human subjects, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), loss of revenue due to inadequate patent protection or inability to supply GSK products, and regulatory action such as fines, penalties, or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results and cause loss of trust from our customers and patients.

can minimise our use of animals in research, whilst complying with regulatory requirements.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products.

Research practices continued

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting, storage and retrieval. Our research data is governed by legislation and regulatory requirements. Research data and supporting documents are core components at various stages of pipeline progression decision-making and form the content of regulatory submissions, publications and patent filings. Poor data integrity can compromise our research efforts and negatively impact company reputation.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Continually changing and increasingly stringent submission requirements continue to increase the complexity of worldwide product registration.

Scientific engagement (SE), defined as the interaction and exchange of information between GSK and external communities to advance scientific and medical understanding, including the appropriate development and use of our products, is an essential part of scientific discourse. Such non-promotional engagement with external stakeholder groups is vital to GSK's mission and necessary for scientific and medical advance. SE activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments to HCPs have, or are perceived to have, promotional intent.

A wide variety of biological materials are used by GSK in discovery, research and development phases. Through the Convention on Biological Diversity (CBD) and the Nagoya Protocol, the international community has established a global framework regulating access to, and use of, genetic resources of non-human origin in Research and Development (R&D). We support the principles of access and benefit sharing to genetic resources as outlined in the CBD and the Nagoya Protocol, recognising the importance of appropriate, effective and proportionate implementation measures at national and regional levels.

Patent rights play an important role in providing GSK with a competitive advantage in the market. Any loss of patent protection in a market for GSK's products developed through our R&D, including reducing the availability or scope of patent rights, could materially and adversely affect our financial results in that market. Absence of adequate patent or data exclusivity protection, which could lead to, for example, competition from manufacturers of generic pharmaceutical products, could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely impact our financial results. Following expiration of certain intellectual property rights, a generic manufacturer may lawfully produce a generic version of a product. Introduction of generic products typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

The Chief Medical Officer oversees the following enterprise Medical Governance Boards:

- The Human Subject Research Board is in place to provide oversight for the human subject research sponsored and supported by us to ensure it conforms to ethical, medical and scientific standards
- The Data Disclosure Board provides oversight for disclosure of our sponsored and supported human subject research. We make information available on our clinical studies, including summaries of the results – whether positive or negative. We were the first company to publish clinical study reports that form the basis of submissions to regulatory agencies and we have publicly posted more than 2,400 clinical study reports in addition to more than 6,400 study result summaries
- Specific accountability and authorisation for SE is overseen by the Scientific Engagement and Promotional Practices Board. This Board is responsible for oversight of applicable policies and seeking to ensure the highest level of integrity and continuous development of SE

We have a Global Human Biological Samples Management (HBSM) governance framework in place to oversee the ethical and lawful acquisition and management of human biological samples. Our HBSM Enterprise Risk Management Team champions HBSM activities and provides an experienced group to support internal sample custodians regarding best practice.

It remains an important priority to enhance our data integrity controls. Data Integrity Committees are in place to provide oversight and Data Integrity Quality Assurance teams conduct assessments to provide independent business monitoring of our internal controls for R&D activities.

The Regulatory Governance Board serves as the global regulatory risk management and compliance board, promoting compliance with regulatory requirements and procedures, and oversees Group-wide written standards for cross business regulatory processes.

We established an Access and Benefit Sharing Centre of Excellence to oversee applicable requirements and enforcement measures for the acquisition and use of genetic material of non-human origin in scope of the Nagoya Protocol.

R&D maintains and controls pre-publication procedures to guard against public disclosure in advance of filing patent applications. In addition, because loss of patent protection can occur due to lack of data integrity in preparing patent application data and information, legal experts collaborate with R&D to support the review process for new patent applications.

The Research Practices risk is overseen by an Enterprise framework that seeks to ensure strengthened governance across the R&D businesses in Pharmaceuticals, Vaccines and Consumer Healthcare.

Mitigating activities

We have an established Office of Animal Welfare, Ethics and Strategy (OAWES), led by the Chief of Animal Welfare, Ethics and Strategy, that ensures the humane and responsible care of animals and increases the knowledge and application of non-animal alternatives. The OAWES provides a framework of animal welfare governance, promotes application of 3Rs (replacement, refinement and reduction of animals in research), conducts quality assessments and develops and deploys strategies on animal model reproducibility and translatability.

Under the leadership of the Research Practices Enterprise Risk Owner, management of the risk takes a pragmatic approach to information sharing, streamlining risk identification and escalation, while ensuring ownership stays with the business.

Principal risks and uncertainties continued

Third party oversight (TPO)

Risk definition

Failure to maintain adequate governance and oversight over third party relationships and failure of third parties to meet their contractual, regulatory, confidentiality or other obligations.

Risk impact

Failure to adequately manage third party relationships could result in business disruption and exposure to risks ranging from sub-optimal contractual terms and conditions, to severe business and legal sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

Third parties are critical to our business delivery and are an integral part of the solution to meeting our business objectives. We rely on third parties, including suppliers, advisors, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and for supporting other important business processes.

These business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business activities. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties across a diverse geographical spread.

Mitigating activities

To guide and enforce our global principles for interactions with third parties we have a global policy framework applicable to buying goods and services, managing our external spend, paying and working with our third parties. This policy framework applies to all employees and complementary workers worldwide. The enterprise-wide TPO programme takes an enterprise-wide view of third party related risks to ensure compliance with our ABAC policies and additional risks such as Labour Rights, Health and Safety and Human Safety Information. It forms a comprehensive and practical approach to third party oversight that is flexible to the evolving nature of our business and the type of engagement being managed. The programme is managed through the Global Ethics and Compliance organisation and has been globally deployed. It has strengthened risk assessment, contractual terms and due diligence efforts on third parties and improved the overall management of our third party risks through the lifecycle of the third party engagement.

Programme governance is provided through Enterprise Risk Management overseen by the TPO Governance Board which includes representation from key functional areas and the business. We have a dedicated TPO team responsible for the implementation and evolution of the programme in response to developments in the internal and external environment.

Each business leadership team retains ultimate accountability for managing third party interactions and risks. When working with third parties, our employees are expected to manage external interactions and commitments responsibly. This expectation is embedded in our values and Code of Conduct. It is our responsibility that all activities carried out on our behalf are performed safely and in compliance with applicable laws and our values, expectations, standards and Code of Conduct (See ABAC report above).

Our programme is complemented with independent oversight and assurance undertaken by the Audit & Assurance and Independent Business Monitoring teams. We review the TPO programme against other large multinational companies and use external expertise and internal insights to drive improvements in the programme.

Environment, health & safety and sustainability (EHS&S)

Risk definition

Failure to manage environment, health & safety and sustainability (EHS&S) risks in line with our objectives and policies and with relevant laws and regulations.

Risk impact

Failure to manage EHS&S risks could lead to significant harm to people, the environment and communities in which we operate, fines,

Context

We are subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment, and the communities in which we operate, as well as potential obligations to remediate contaminated sites. We have also been identified as a potentially responsible party under the US Comprehensive Environmental Response Compensation and Liability Act at a number of sites for remediation costs relating to our use or ownership of such sites in the US. Failure to manage these

failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation, which could materially and adversely affect our financial results.

environmental risks properly could result in litigation, regulatory action and additional remedial costs that may materially and adversely affect our financial results. See Note 45 to the financial statements, 'Legal proceedings', for a discussion of the environmental related proceedings in which we are involved. We routinely accrue amounts related to our liabilities for such matters.

Environment, health & safety and sustainability (EHS&S) continued

Mitigating activities

The Corporate Executive Team (CET) is responsible for EHS&S governance under a global policy. Under that policy, the CET seeks to ensure there is a control framework in place to manage the risks, impacts and legal compliance issues that relate to EHS&S and for assigning responsibility to senior managers for providing and maintaining those controls. Individual managers seek to ensure that the EHS&S control framework is effective and well implemented in their respective business area and that it is fully compliant with all applicable laws and regulations, adequately resourced, maintained, communicated, and monitored. Additionally, each employee is personally responsible for ensuring that all applicable local standard operating procedures are followed by them and expected to take responsibility for EHS&S matters.

Our risk-based, proactive approach is articulated in our Global EHS&S standard which supports our EHS&S policy and our objective to discover, develop, manufacture, supply and sell our products without harming people or the environment. In addition to the design and provision of safe facilities, plant and equipment, we operate rigorous procedures that help us eliminate hazards where practicable and protect employees' health and well-being.

Through our continuing efforts to improve environmental sustainability we have reduced our value chain carbon intensity per pack, water consumption and waste generation. We actively manage our environmental remediation obligations and seek to ensure practices are environmentally sustainable and compliant.

Information security

Risk definition

The risk to GSK business activities if information becomes disclosed to those not authorised to see it, or if information or systems fail to be available or are corrupted, typically because of cybersecurity threats, although accident or malicious insider-action may be contributory causes.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage and could materially affect our ongoing business operations, such as scientific research, clinical trials and manufacturing and supply chain activities.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, intellectual property, manufacturing systems and trade secrets. There is the potential that our computer systems or information may be exposed to misuse or unauthorised disclosure.

We believe that the cyber security incidents that we have experienced to date have not resulted in significant disruptions to our operations and have not had a significant adverse effect on our results of operations, or on third parties. However, as the threats evolve we cannot provide assurance that our significant efforts in protecting and monitoring our systems and information will always be successful in preventing compromise or disruption in future. They increasingly involve highly-resourced threat actors such as nation-states and organised criminals. Combined with the size and complexity of our IT systems and those of our supply chain partners (including outsourced operations), this means that our systems and

Mitigating activities

We have a global information protection policy and accompanying information technology standards and processes that are supported through a dedicated team and programme of activity. Our Information Protection function provides strategy, direction, and oversight, including active monitoring of cyber security, while enhancing our global information security capabilities, through an ongoing programme of investment that is in its sixth year.

We assess changes in our information protection risk environment through briefings by government agencies, subscription to commercial threat intelligence services and knowledge sharing with other pharmaceutical businesses and cross-industry bodies. Such changes are regularly reviewed by our Executive team and our Board and suitable adjustments agreed.

We aim to apply industry best practices as part of our information security policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the security threat landscape. This will include suitable levels of cyber-risk insurance cover in future.

information have been, and are expected to continue to be, the subject of cyber-attacks of various types.

Principal risks and uncertainties continued

Supply continuity

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to respond effectively to a crisis incident in a timely manner to recover and sustain critical operations, including key supply chains.

Risk impact

We recognise that failure to supply our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action and financial penalties that could adversely affect the Group's financial results. The Group's international operations, and those of its partners, expose our workforce, facilities, operations and information technology to potential disruption from natural events (e.g. storm, earthquake), man-made events (e.g. civil unrest, terrorism), and global emergencies (e.g. Ebola outbreak, flu pandemic). It is important that we have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively provide our license to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

We rely on materials and services provided by third party suppliers to make our products, including active pharmaceutical ingredients (API), antigens, intermediates, commodities, and components for the manufacture and packaging of Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third party services procured, such as services provided by contract manufacturing and clinical research organisations to support development of key products, are important to ensure continuous operation of our business.

Although we undertake risk mitigation we recognise that certain events could nevertheless still result in delays or service interruptions. We use effective crisis management and business continuity planning to provide for the health and safety of our people and to minimise impact to us, by maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Mitigating activities

Our supply chain model is designed to ensure the supply, quality and security of our products globally, as far as possible. Through the Supply Chain Governance Committees we closely monitor the inventory status and delivery of our products, with the aim of ensuring that customers have the Pharmaceutical, Vaccines and Consumer Healthcare products they need. Improved links between commercial forecasting and manufacturing made possible by our core commercial cycle should, over time, reduce the risk associated with demand fluctuations and any impact on our ability to supply or the cost of write-offs where products exceed their expiry date. Each node of the supply chain is periodically reviewed to ensure adequate safety stock, while balancing working capital in our end-to-end supply chain. Particular attention is placed on mitigating supply risks associated with medically critical and high-revenue products.

We routinely monitor the compliance of manufacturing external suppliers to identify and manage risks in our supply base. Where practical, we minimise our dependence on single sources of supply for critical items. Where alternative sourcing arrangements are not possible, our inventory strategy aims to protect the supply chain from unanticipated disruption.

We continue to implement anti-counterfeit systems such as product serialisation in accordance with emerging supply chain requirements such as the EU Falsified Medicines Regulation around the world.

A corporate policy requires each business and functional area head to ensure effective crisis management and business continuity plans are in place that include authorised response and recovery strategies, key areas of responsibility and clear communication routes, before any business disruption occurs. Corporate Security supports the business by: coordinating crisis management and business continuity training; facilitating simulation exercises; assessing our preparedness and recovery capability; and providing assurance oversight of our central repository of plans supporting our critical business processes.

Each business performs risk oversight to assure adequate risk mitigation including identifying new and emerging threats. We have a coordinated approach to evaluate and manage the implications for our business arising from Brexit. Our approach to Brexit is set out on page 36.

These activities help ensure an appropriate level of readiness and response capability is maintained. We also develop and maintain partnerships with external bodies like the Business Continuity Institute and the UN International Strategy for Disaster Risk Reduction, which helps improve our business continuity initiatives in disaster-prone areas and supports the development of community resilience to disasters.

Shareholder information

Share capital and control

Details of our issued share capital and the number of shares held in Treasury as at 31 December 2018 can be found in Note 33 to the financial statements, 'Share capital and share premium account'.

Our Ordinary Shares are listed on the London Stock Exchange and are also quoted on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADS). Each ADS represents two Ordinary Shares. For details of listed debt and where it is listed refer to Note 31 to the financial statements, 'Net debt'.

Holders of Ordinary Shares and ADS are entitled to receive dividends (when declared), the company's Annual Report, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer, or limitations on the holding, of Ordinary Shares and ADS and no requirements to obtain approval prior to any transfers. No Ordinary Shares or ADS carry any special rights with regard to control of the company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through the Group's employee share plans rank equally with the other shares in issue and have no special rights. The trustees of our Employee Share Ownership Plan trusts have waived their rights to dividends on shares held by those trusts.

Exchange controls and other limitations affecting security holders
Other than certain economic sanctions, which may be in force from time to time, there are currently no applicable laws, decrees or regulations in force in the UK restricting the import or export of capital or affecting the remittance of dividends or other payments to holders of the company's shares who are non-residents of the UK. Similarly, other than certain economic sanctions which may be in force from time to time, there are no limitations relating only to non-residents of the UK under English law or the company's Articles of Association on the right to be a holder of, and to vote in respect of, the company's shares.

Interests in voting rights
Other than as stated below, as far as we are aware, there are no persons with significant direct or indirect holdings in the company. Information provided to the company pursuant to the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the company's website, www.gsk.com.

The company had received notifications in accordance with the FCA's DTRs of the following notifiable interests in the voting rights in the company's issued share capital:

Share buy-back programme
The Board has been authorised to issue and allot Ordinary Shares under Article 9 of the company's Articles of Association. The power under Article 9 and the authority for the company to make purchases of its own shares are subject to shareholder authorities which are sought on an annual basis at our Annual General Meeting (AGM). Any shares purchased by the company may be cancelled or held as Treasury shares or used for satisfying share options and grants under Group employee share plans.

Our programme covers purchases of shares for cancellation or to be held as Treasury shares, in accordance with the authority renewed by shareholders at the AGM in May 2018, when the company was authorised to purchase a maximum of just under 497 million shares. Details of shares purchased, those cancelled, those held as Treasury shares and those subsequently transferred from Treasury to satisfy awards under the Group's employee share plans are disclosed in Note 33 to the financial statements, 'Share capital and share premium account'.

In determining specific share repurchase levels, the company considers the development of free cash flow during the year. No shares were purchased during the financial years ended 2015, 2016, 2017 or 2018.

The company confirms that it does not currently intend to make any market purchases in 2019. The company will review the potential for future share buy-backs in line with its usual annual cycle and subject to return and ratings criteria.

Market capitalisation
The market capitalisation, based on shares in issue excluding Treasury shares, of GSK at 31 December 2018 was £73.23 billion. At that date, GSK was the fifth largest company by market capitalisation in the FTSE index.

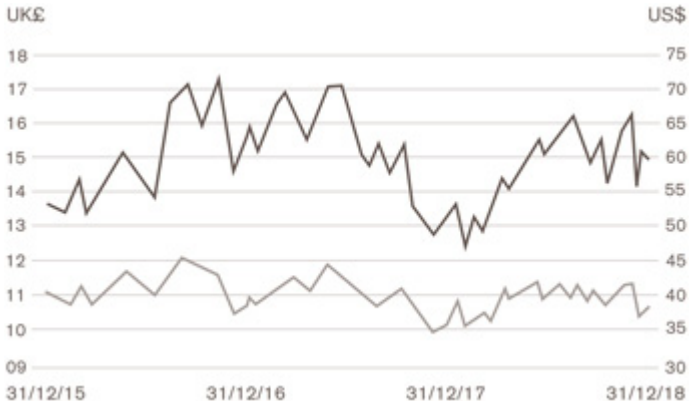
Share price	2018 £	2017 £	2016 £
At 1 January	**13.23**	15.62	13.73
At 31 December	**14.91**	13.23	15.62
(Decrease)/increase	**12.7%**	(15.3)%	13.8%
High during the year	**16.22**	17.22	17.23
Low during the year	**12.43**	12.76	13.44

The table above sets out the middle market closing prices. The company's share price increased by 12.7% in 2018. This compares with a decrease in the FTSE 100 index of 12.5% during the year. The share price on 1 March 2019 was £15.10.

	31 December 2018		1 March 2019	
	No. of shares	*Percentage of issued capital (%)	No. of shares	*Percentage of issued capital (%)
BlackRock, Inc	348,328,939	7.02	359,325,075	7.24

* Percentage of Ordinary shares in issue, excluding Treasury shares.

We have not acquired or disposed of any interests in our own shares during the period under review, with the exception of those transferred from Treasury to satisfy awards under the Group's employee share plans.



— UK share price (UK£) — US ADS price (US$)

Shareholder information continued

Share capital and control continued

Nature of trading market

The following tables set out, for the periods indicated, the high and low middle market closing quotations in pence for the shares on the London Stock Exchange, and the high and low closing prices in US dollars for the ADS on the NYSE.

	Ordinary Shares		ADS	
	Pence per share		US dollars per share	
	High	Low	High	Low
March 2019*	1510	1510	40.39	40.39
February 2019	1558	1458	40.76	38.58
January 2019	1537	1436	39.38	37.83
December 2018	1513	1418	38.61	37.07
November 2018	1622	1480	41.87	38.84
October 2018	1558	1429	40.87	38.31
September 2018	1585	1484	40.53	38.99
Quarter ended 31 December 2018	1622	1418	41.87	37.07
Quarter ended 30 September 2018	1619	1484	41.87	38.99
Quarter ended 30 June 2018	1580	1378	41.94	38.85
Quarter ended 31 March 2018	1397	1243	35.49	39.38
Quarter ended 31 December 2017	1536	1276	41.10	34.66
Quarter ended 30 September 2017	1630	1452	42.77	38.68
Quarter ended 30 June 2017	1722	1550	44.37	40.68
Quarter ended 31 March 2017	1691	1520	42.73	38.72
Year ended 31 December 2018	1622	1243	41.94	35.49
Year ended 31 December 2017	1722	1276	44.37	34.66
Year ended 31 December 2016	1723	1345	45.49	37.39
Year ended 31 December 2015	1642	1238	48.81	37.56
Year ended 31 December 2014	1691	1324	56.66	41.30
Year ended 31 December 2013	1782	1359	53.68	43.93

* to 1 March 2019

Analysis of shareholdings at 31 December 2018

	Number of accounts	% of total accounts	% of total shares	Number of shares
Holding of shares				
Up to 1,000	78,209	71.19	0.50	27,196,746
1,001 to 5,000	24,687	22.47	0.99	53,245,886
5,001 to 100,000	5,762	5.25	1.66	89,028,177
100,001 to 1,000,000	842	0.77	5.49	295,494,317
Over 1,000,000	355	0.32	91.36	4,914,102,498
	109,855	100.00	100.00	5,379,067,624
Held by				
Nominee companies	5,102	4.65	62.48	3,360,713,155
Investment and trust companies	24	0.02	0.02	1,210,233
Insurance companies	3	0.00	0.00	768

Individuals and other corporate bodies	104,724	95.33	12.45	669,844,173
BNY (Nominees) Limited	1	0.00	17.34	932,693,345
Held as Treasury shares by GlaxoSmithKline	1	0.00	7.71	414,605,950

The Bank of New York Mellon is the Depositary for the company's ADS, which are listed on the NYSE. Ordinary Shares representing the company's ADS programme, which is managed by the Depositary, are registered in the name of BNY (Nominees) Limited. At 1 March 2019, BNY (Nominees) Limited held 934,362,581 Ordinary Shares representing 18.81% of the issued share capital (excluding Treasury shares) at that date.

At 1 March 2019, the number of holders of Ordinary Shares in the US was 974 with holdings of 994,696 Ordinary Shares, and the number of registered holders of ADS was 21,197 with holdings of 467,181,290 ADS. Certain of these Ordinary Shares and ADS were held by brokers or other nominees. As a result, the number of holders of record or registered holders in the US is not representative of the number of beneficial holders or of the residence of beneficial holders.

Dividends

The company pays dividends quarterly and continues to return cash to shareholders through its dividend policy. Dividends remain an essential component of total shareholder return and GSK recognises the importance of dividends to shareholders. The company aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.

Dividends per share

The table below sets out the dividend per share and per ADS for the last five years. The dividend per ADS is translated into US dollars at applicable exchange rates.

Year	Dividend	pence	US$
2018		80	–[1]
2017		80	2.16
2016		80	2.00
2015	Special*	20	0.57
2015		80	2.37
2014		80	2.59
2013		78	2.47

1 The Q4 2018 interim ordinary dividend receivable by ADS holders will be calculated based on the exchange rate on 11 April 2019. An annual fee of $0.03 per ADS (or $0.0075 per ADS per quarter) will be charged by the Depository. The cumulative dividend receivable by ADS holders for Q1, Q2 and Q3 2018 was $1.48.

* The 2015 special dividend related to the return of part of the net cash proceeds from the Novartis transaction completed in March 2015. This was paid with the fourth quarter ordinary dividend for 2015.

The Board intends to maintain the dividend for 2019 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25-1.50x, before returning the dividend to growth. Details of the dividends declared, the amounts and the payment dates are given in Note 16 to the financial statements, 'Dividends'.

Dividend calendar

Quarter	Ex-dividend date	Record date	Payment date
Q4 2018	21 February 2019	22 February 2019	11 April 2019
Q1 2019	16 May 2019	17 May 2019	11 July 2019
Q2 2019	8 August 2019	9 August 2019	10 October 2019
Q3 2019	14 November 2019	15 November 2019	9 January 2020
Q4 2019	20 February 2020	21 February 2020	9 April 2020

Financial calendar

Event	Date
Quarter 1 Results announcement	May 2019
Annual General Meeting	May 2019
Quarter 2 Results announcement	July 2019
Quarter 3 Results announcement	October 2019
Preliminary/Quarter 4 Results announcement	February 2020
Annual Report publication	February/March 2020
Annual Report distribution	March 2020

Information about the company, including the share price, is available on our website at www.gsk.com. Information made available on the website does not constitute part of this Annual Report.

Results announcements

Results announcements are issued to the London Stock Exchange and are available on its news service. They are also sent to the US Securities and Exchange Commission and the NYSE, issued to the media and made available on our website.

Financial reports

The company publishes an Annual Report which is made available on our website from the date of publication. Shareholders may elect to receive the Annual Report by contacting the registrar. Alternatively, shareholders may elect to receive notification by email of the publication of financial reports by registering on www.shareview.co.uk.

Copies of previous financial reports are available on our website. Printed copies can be obtained from our registrar in the UK (see page 256 for the contact details).

Shareholder information continued

Annual General Meeting 2019

Our Annual General Meeting (AGM) will be held at 2.30pm (UK time) on Wednesday 8 May 2019 at Sofitel London Heathrow, Terminal 5, London Heathrow Airport, TW6 2GD.

The AGM is the company's principal forum for communication with private shareholders. In addition to the formal business, there will be a presentation by the CEO on the performance of the Group and its future development. There will be an opportunity for questions to be asked to the Board. Chairs of the Board's Committees will take questions relating to those Committees.

Investors holding shares through a nominee service should arrange with that nominee service to be appointed as a proxy in respect of their shareholding in order to attend and vote at the meeting.

ADS holders wishing to attend the meeting should contact BNY Mellon, as Depositary, to request a proxy appointment. This will enable them to attend and vote on the business to be transacted. ADS holders may instruct BNY Mellon as to the way in which the shares represented by their ADS should be voted by completing and returning the voting card provided by the Depositary.

Documents on display

The Articles of Association of the company and Directors' service contracts or, where applicable, letters of appointment between Directors and the company or any of its subsidiaries (and any side letters relating to severance terms and pension arrangements) are available for inspection at the company's registered office and will be made available for inspection at the AGM.

Tax information for shareholders

A summary of certain UK tax and US federal income tax consequences for holders of shares and ADS who are citizens of the UK or the US is set out below. It is not a complete analysis of all the possible tax consequences of the purchase, ownership or sale of these securities. It is intended only as a general guide. Holders are advised to consult their advisers with respect to the tax consequences of the purchase, ownership or sale of their shares or ADS and the consequences under state and local tax laws in the US and the implications of the current UK/US tax conventions.

US holders of ADS generally will be treated as the owners of the underlying shares for the purposes of the current US/UK double taxation conventions relating to income and gains (Income Tax Convention), estate and gift taxes (Estate and Gift Tax Convention), and for the purposes of the Internal Revenue Code of 1986, as amended (the Code).

UK shareholders

This summary only applies to a UK resident shareholder that holds shares as capital assets.

Taxation of dividends

For the UK tax year from 2018/19 UK resident individuals are entitled to a dividend tax allowance of up to £2,000, so that the first £2,000 of dividends received in a tax year will be free of tax. Dividends in excess of this allowance will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Taxation of capital gains

UK resident shareholders may be liable for UK tax on gains on the disposal of shares or ADS.

For disposals by individuals in the 2018/19 UK tax year, a taxable capital gain accruing on a disposal of shares or ADS will be taxed at 10% for basic rate taxpayers, or 20% if, after all allowable deductions, the individual's taxable income for the year exceeds the basic rate income tax limit. Note this is following the use of any exceptions available to the individual taxpayer such as the annual exempt amount.

Corporation taxpayers may be entitled to an indexation allowance which applies to reduce capital gains to the extent that such gains arise due to inflation. Indexation allowance may reduce a chargeable gain but will not create an allowable loss. For assets acquired on or before 1 January 2018, legislation in the Finance Act 2018 freezes the level of indexation allowance that is given in calculating a company's chargeable gains at the value that would apply to the disposal of an asset in December 2017. For assets acquired from 1 January 2018 onwards, legislation in the Finance Act 2018 removes any indexation allowance on disposal.

Inheritance tax

Individual (UK-domiciled or otherwise) shareholders may be liable to UK inheritance tax on the transfer of shares or ADS. Tax may be charged on the amount by which the value of the shareholder's estate is reduced as a result of any transfer by way of lifetime gift or other disposal at less than full market value. In the case of a bequest on death, tax may be charged on the value of the shares at the date of the

UK resident shareholders that are corporation taxpayers should note that dividends payable on ordinary shares are generally entitled to exemption from corporation tax.

shareholder's death. If such a gift or other disposal were subject to both UK inheritance tax and US estate or gift tax, the Estate and Gift Tax Convention would generally provide for tax paid in the US to be credited against tax payable in the UK.

Tax information for shareholders continued

Stamp duty and stamp duty reserve tax

UK stamp duty and/or stamp duty reserve tax (SDRT) will, subject to certain exemptions, be payable on the transfer of shares at a rate of 0.5% (rounded up to the nearest £5 in the case of stamp duty) of the consideration for the transfer. Notwithstanding this, provided that an instrument is executed in pursuance of the agreement that gave rise to the charge to SDRT and that instrument is stamped within six years of the agreement (including being stamped as exempt) any SDRT charge should be cancelled and any SDRT which has already been paid will be repaid.

US shareholders

This summary only applies to a shareholder (who is a citizen or resident of the US or a domestic corporation or a person that is otherwise subject to US federal income tax on a net income basis in respect of the shares or ADS) that holds shares or ADS as capital assets, is not resident in the UK for UK tax purposes and does not hold shares for the purposes of a trade, profession or vocation that is carried on in the UK through a branch or agency.

The summary also does not address the tax treatment of holders that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons that hold shares or ADS as part of an integrated investment (including a 'straddle') comprised of a share or ADS and one or more other positions, and persons that own (directly or indirectly) 10% or more of the voting stock of the company, nor does it address tax treatment that may be applicable as a result of international income tax treaties.

Taxation of dividends

The gross amount of dividends received is treated as foreign source dividend income for US tax purposes. It is not eligible for the dividend received deduction allowed to US corporations. Dividends on ADS are payable in US dollars; dividends on Ordinary shares are payable in Sterling. Dividends paid in Sterling will be included in income in the US dollar amount calculated by reference to the exchange rate on the day the dividends are received by the holder. Subject to certain exceptions for short-term or hedged positions, an individual eligible US holder will be subject to US taxation at a maximum federal rate of 23.8% plus applicable state and local tax in respect of qualified dividends. A qualified dividend as defined by the US Internal Revenue Service (IRS) is a dividend that meets the following criteria:

1. Must be issued by a US corporation, a corporation incorporated in a US possession, or a corporation that is eligible for the benefits of a comprehensive income tax treaty deemed satisfactory, as published by the IRS.

Dividends that are not qualified are subject to taxation at the US federal graduated tax rates, at a maximum rate of 40.8%. Some types of dividends are automatically excluded from being qualified dividends, even if they meet the other requirements. These include (but are not limited to):

1. Capital gains distributions
2. Dividends on bank deposits
3. Dividends held by a corporation in an Employee Stock Ownership Plan (ESOP)
4. Dividends paid by tax-exempt corporations

US state and local tax rates on qualified and non-qualified dividends may vary and would be assessed in addition to the federal tax rates communicated above.

Taxation of capital gains

Generally, US holders will not be subject to UK capital gains tax, but will be subject to US tax on capital gains realised on the sale or other disposal of shares or ADS. Such gains will be long-term capital gains (subject to reduced rates of taxation for individual holders) if the shares or ADS were held for more than one year, from the date the shares were vested/released. Short-term capital gains can be subject to taxation of rates of up to 40.8%, whereas long-term capital gains may be subject to rates of up to 23.8%. State and local tax rates on capital gains may also apply.

Information reporting and backup withholding

Dividends and payments of the proceeds on a sale of shares or ADS, paid within the US or through certain US-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the US holder is a corporation or other exempt recipient or provides a taxpayer identification number and certifies that no loss of exemption has occurred. Non-US holders generally are not subject to information reporting or backup withholding, but may be required to provide a certification of their non-US status in connection with payments received. Any amounts withheld will be allowed as a refund or credit against a holder's US federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Estate and gift taxes

Under the Estate and Gift Tax Convention, a US shareholder is not generally subject to UK inheritance tax. However, a US capital shareholder may be subject to US Estate and Gift Tax.

Stamp duty

2. The dividends are not listed with the IRS as dividends that do not qualify.
3. The required dividend holding period has been met. The shares must have been owned by you for more than 60 days of the 'holding period' – which is defined as the 121-day period that begins 60 days before the ex-dividend date, or the day in which the stock trades without the dividend priced in. For example, if a stock's ex-dividend date is 1 October, the shares must be held for more than 60 days in the period between 2 August and 30 November of that year in order to count as a qualified dividend.

UK stamp duty and/or SDRT will, subject to certain exemptions, be payable on any transfer of shares to the ADS custodian or depository at a rate of 1.5% of the amount of any consideration provided (if transferred on sale), or their value (if transferred for no consideration).

However, no stamp duty or SDRT should be payable on the transfer of, or agreement to transfer, an ADS.

Other statutory disclosures

Shareholder services and contacts

Registrar
The company's registrar is:
Equiniti Limited
Aspect House, Spencer Road, Lancing, BN99 6DA
www.shareview.co.uk
Tel: 0371 384 2991 (in the UK)*
Tel: +44 (0)121 415 7067 (outside the UK)

Equiniti provides a range of services for shareholders:

Service	What it offers	How to participate
Dividend Reinvestment Plan (DRIP)	As an alternative to receiving cash dividends you may choose to reinvest your dividends to buy more GSK shares.	A DRIP election form can be downloaded from www.shareview.co.uk or requested by contacting Equiniti.
Dividend payment direct to your bank account (Bank Mandate)	If you currently receive your dividends by cheque through the post, you can instead have them paid directly into your bank or building society account. This is quicker, more secure and avoids the risk of your cheque going astray.	A dividend bank mandate form can be downloaded from www.shareview.co.uk or requested by contacting Equiniti.
Dividend payment direct to bank account for overseas shareholders	Instead of waiting for a sterling cheque to arrive by post, Equiniti will convert your dividend into your local currency and send it direct to your local bank account. This service is available in over 100 countries worldwide.	For more details on this service and the costs involved please contact Equiniti.
Electronic communications	Shareholders may elect to receive electronic notifications of company communications including our Annual Report, dividend payments (if paid by way of a Bank Mandate), access to dividend confirmations and the availability of online voting for all general meetings. Each time GSK mails out hard copy shareholder documents you will receive an email containing a link to the document or relevant website.	You can register at www.shareview.co.uk
Shareview portfolio service	This enables you to create a free online portfolio to view your share balance and movements, update your address and dividend payment instructions and register your votes for our AGM.	You can register at www.shareview.co.uk
De-duplication of publications or mailings	If you receive duplicate copies of mailings, you may have more than one account. Please contact Equiniti and they will arrange for your accounts to be merged into one for your convenience and to avoid waste and unnecessary costs.	Please contact Equiniti.

Share dealing service† (please note that market trading hours are from 8.00am to 4.30pm UK time, Monday to Friday (excluding public holidays in England and Wales))	Shareholders may trade shares, either held in certificated form or held in our Corporate Sponsored Nominee, online, by telephone or by a postal dealing service provided by Equiniti Financial Services Limited.	For online transactions, please log on to www.shareview.co.uk/dealing. For telephone transactions, please call 0345 603 7037 (in the UK) or +44 (0)121 415 7560 (outside the UK). For postal transactions, please call 0371 384 2991* to request a dealing form.
Corporate Sponsored Nominee Account	This is a convenient way to manage your shares without requiring a share certificate. The service provides a facility for you to hold your shares in a nominee account sponsored by the company. You will continue to receive dividend payments, annual reports and can attend and vote at the company's general meetings. Shareholders' names do not appear on the publicly available share register and the service is free to join.	An application form can be requested from www.shareview.co.uk or by contacting Equiniti.
Individual Savings Accounts (ISAs)†	The company has arranged for Equiniti Financial Services Limited to provide a GSK Corporate ISA to hold GSK Ordinary Shares.	Details are available from www.shareview.co.uk or can be requested by telephoning Equiniti, on 0345 300 0430. Lines are open 8.00am to 4.30pm for dealing, and until 6.00pm for enquiries Monday to Friday (excluding public holidays in England and Wales).

* UK lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

† The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Shareholders services and contacts continued

ADS Depositary

The ADS programme is administered by The Bank of New York Mellon:

BNY Mellon Shareowner Services
PO Box 505000
Louisville, KY 40233-5000

Overnight correspondence should be sent to:
BNY Mellon Shareowner Services
462 South 4th Street, Suite 1600
Louisville, KY 40202
www.mybnymdr.com

Tel: +1 877 353 1154 (US toll free)
Tel: +1 201 680 6825 (outside the US)
email: shrrelations@cpushareownerservices.com

The Depositary also provides Global BuyDIRECT †, a direct ADS purchase/sale and dividend reinvestment plan for ADS holders. For details of how to enrol please visit www.mybnymdr.com or call the above helpline number to obtain an enrolment pack.

Glaxo Wellcome and SmithKline Beecham Corporate PEPs

The Share Centre Limited
Oxford House, Oxford Road, Aylesbury, Bucks HP21 8SZ
Tel: +44 (0)1296 414 141
www.share.com

Donating shares to Save the Children

In 2013, GSK embarked on an ambitious global partnership with Save the Children to share our expertise and resources with the aim of helping to save the lives of one million children.

Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to Save the Children. Donated shares will be aggregated and sold by Save the Children who will use the funds raised to help them reach the above goal.†

To obtain a share donation form, please contact our registrar, Equiniti, which is managing the donation and sale of UK shares to Save the Children free of charge.

† The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity.
Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Contacts

Investor relations

Investor relations may be contacted as follows:

UK

980 Great West Road
Brentford, Middlesex, TW8 9GS
Tel: +44 (0)20 8047 5000

US

5 Crescent Drive
Philadelphia PA 19112
Tel: +1 888 825 5249 (US toll free)
Tel: +1 215 751 4611 (outside the US)

GSK Response Center

Tel: +1 888 825 5249 (US toll free)

Share scam alert

If you receive an unsolicited telephone call offering to sell or buy your shares, please take extra care. The caller may be part of a highly organised financial scam.

If you are a UK shareholder, please contact the Financial Conduct Authority for further information on this, or other similar activities, at www.fca.org.uk/consumers or on its consumer helpline:

Tel: 0800 111 6768 (in the UK)*
Tel: +44 (0)20 7066 1000 (outside the UK)

* Lines are open from 8.00am to 6.00pm, UK time, Monday to Friday, except UK public holidays, and 9.00am to 1.00pm on Saturdays.

Other statutory disclosures continued

US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the New York Stock Exchange (NYSE) in the form of ADS.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the US, provided that we explain any significant variations. This explanation is contained in our Form 20-F, which can be accessed from the Securities and Exchange Commission's (SEC) EDGAR database or via our website. NYSE rules that came into effect in 2005 require us to file annual and interim written affirmations concerning the Audit & Risk Committee (ARC) and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the US, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide-ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the SEC, the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the ARC. It is chaired by the Company Secretary and the members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend the Disclosure Committee's meetings periodically. The Committee has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the Annual Report and Form 20-F. In 2018, the Committee met 26 times.

Sarbanes-Oxley requires that the annual report on Form 20-F contain a statement as to whether a member of the ARC is an audit committee financial expert as defined by Sarbanes-Oxley. Such a statement for the relevant member of the ARC (Judy Lewent) is included in the Audit & Risk Committee report on page 79 and in her biography on page 70. Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley also introduced a requirement for the CEO and the CFO to complete formal certifications, confirming that:

– they have each reviewed the annual report on Form 20-F

– based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the annual report on Form 20-F

– they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the annual report on Form 20-F

– they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

– they have disclosed in the annual report on Form 20-F any changes in internal controls over financial reporting during the period covered by the annual report on Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting, and they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditor and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company's ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company's internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2018.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO expect to complete these certifications and report their conclusions on the effectiveness of disclosure controls and procedures in March 2019, following which the certifications will be filed with the SEC as part of our Group's Form 20-F.

Section 404: Management's annual report on internal control over financial reporting

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the company's internal control over financial reporting (as defined in Rules

– based on their knowledge, the annual report on Form 20-F contains no material misstatements or omissions

13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934, as amended (the 'Exchange Act')):

– management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS

– management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework, Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO)

– there have been no changes in the Group's internal control over financial reporting during 2018 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting

US law and regulation continued

– management has assessed the effectiveness of internal control over financial reporting as at 31 December 2018 and its conclusion will be filed as part of the Group's Form 20-F, and
– Deloitte LLP, which has audited the consolidated financial statements of the Group for the year ended 31 December 2018, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard 2201 of the Public Company Accounting Oversight Board (United States). Their audit report will be filed with the Group's Form 20-F.

Section 13(r) of the Exchange Act

Section 13(r) of the Exchange Act (Section 13(r)) requires issuers to make specific disclosure in their annual reports of certain types of dealings with Iran, including transactions or dealings with government-owned entities, as well as dealings with entities sanctioned for activities related to terrorism or proliferation of weapons of mass destruction, even when those activities are not prohibited by US law and do not involve US persons. The Group exports certain pharmaceutical, vaccine and consumer products to Iran, via sales by non-US entities, to two privately held Iranian distributors.

We do not believe that any of the Group's direct dealings with Iran require specific disclosure under these requirements.

The Group does not regularly receive information regarding the identity of its distributors' downstream customers in Iran, and it is possible that these customers include entities, such as government-owned hospitals and pharmacies, that are owned or controlled directly or indirectly by the Iranian government or by persons or entities sanctioned in connection with terrorism or proliferation activities.

Because the Group does not regularly receive information regarding the identity of its distributors' downstream customers, it cannot establish the proportion of gross revenue or sales potentially attributable to entities affiliated with the Iranian government or parties sanctioned for disclosable activities. As a result, the Group is reporting the entire gross revenues (£16.3 million) and net profits (£7.8 million) from the Group's sales to Iran in 2018.

The Group is also aware that some hospitals or other medical facilities in Lebanon may be affiliated with or controlled by Hezbollah, which is designated by the United States as a terrorist organisation. Again, the Group does not deal directly with such facilities and sells through distributors. The Group is also unable to identify with certainty the degree or nature of any affiliation of the end customers with Hezbollah, and the Group is unable to establish the proportion of gross revenue or sales potentially attributable to reportable entities. As a result, the Group is reporting the entire gross revenues (£ 45.4 million) and net profits (£21.5 million) from the Group's sales to Lebanon in 2018.

In addition to Section 13(r), US law also generally restricts dealings by US persons or persons which are subject to US jurisdiction with certain countries or territories that are subject to comprehensive sanctions. The Group does business, via non-US entities, in such jurisdictions targeted by sanctions laws, including Syria, Cuba, North Korea and Crimea. While we believe the Group complies with all applicable US sanctions laws in all material respects, such laws are complex and continue to evolve rapidly.

Donations to political organisations and political expenditure

With effect from 1 January 2009, to ensure a consistent approach to political contributions across the Group, we introduced a global policy to voluntarily stop all corporate political contributions.

In the period from 1 January 2009 to 31 December 2018, the Group did not make any political donations to EU or non-EU organisations.

Notwithstanding the introduction of this policy, in accordance with the Federal Election Campaign Act in the US, we continue to support an employee-operated Political Action Committee (PAC) that facilitates voluntary political donations by eligible GSK employees.

The PAC is not controlled by GSK. Decisions on the amounts and recipients of contributions are made by participating employees

As a result, the definitions may cover legitimate business activities not in the ordinary sense considered to be political donations or political expenditure, nor are they designed to support any political party or independent election candidate.

Therefore, notwithstanding our policy, and while we do not intend to make donations to any EU political parties or organisations, nor to incur any EU political expenditure, we annually seek shareholder authorisation for any inadvertent expenditure.

The authority is a precautionary measure to ensure that the company and its subsidiaries do not inadvertently breach the legislation.

exercising their legal right to pool their resources and make political contributions, which are subject to strict limitations. In 2018, a total of US$ 345,190 (2017 – US$ 384,875) was donated to political organisations by the GSK employee PAC.

English law requires prior shareholder approval for political contributions to EU political parties and independent election candidates as well as for any EU political expenditure. The definitions of political donations, political expenditure, and political organisations used in the legislation are, however, quite broad. In particular, the definition of EU political organisations may extend to bodies such as those concerned with policy review, law reform, the representation of the business community and special interest groups such as those concerned with the environment, which the company and its subsidiaries might wish to support.

This authorisation process, for expenditure of up to £100,000 each year, dates back to the AGM held in May 2001, following the introduction of the Political Parties, Elections and Referendums Act 2000. The authority has since been renewed annually.

Other statutory disclosures continued

Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates, joint ventures and joint arrangements, the address of the registered office and effective percentage of equity owned, as at 31 December 2018 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by GlaxoSmithKline plc. The percentage held by class of share is stated where this is less than 100%. Unless otherwise stated, all subsidiary companies have their registered office in their country of incorporation. All subsidiary companies are resident for tax purposes in their country of incorporation unless otherwise stated.

Name	Security	Registered address
Wholly owned subsidiaries		
1506369 Alberta ULC	Common	3500 855-2nd Street SW, Calgary, AB, T2P 4J8, Canada
Action Potential Venture Capital Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Adechsa GmbH (iv)	Ordinary	c/o PRV Provides Treuhandgesellschaft AG, Dorfstrasse 38, Baar, 6341, Switzerland
Adriatic Acquisition Corporation	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Affymax Research Institute	Common	Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California, 95833, United States
Alenfarma – Especialidades Farmaceuticas, Limitada (iv)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Allen & Hanburys Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Allen & Hanburys Pharmaceutical Nigeria Limited	Ordinary	24 Abimbola Way, Ilasamaja, Isolo, Lagos, Nigeria
Allen Farmaceutica, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Allen Pharmazeutika Gesellschaft m.b.H.	Ordinary	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
Barrier Therapeutics, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Beecham Group p.l.c	20p Shares 'A'; 5p Shares 'B'	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Beecham Pharmaceuticals (Pte) Limited	Ordinary	38 Quality Road, Jurong Industrial Estate, Jurong, 618809, Singapore
Beecham Pharmaceuticals S.A. (iv) (vi)	Nominative	Av 10 De Agosto N36-239, y Naciones Unidas, Edificio Electroectuatoriana, 2do piso, Quito, Ecuador
Beecham Portuguesa-Produtos Farmaceuticos e Quimicos, Lda,	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Beecham S.A. (iv)	Ordinary	Parc de la Noire Epine, rue Fleming 20, 1300 Wavre, Belgium
Biovesta Ilaçlari Ltd. Sti. (iv)	Nominative	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
Block Drug Company, Inc.	Common	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
Block Drug Corporation (iv)	Common	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
Burroughs Wellcome & Co (Bangladesh) Limited	Ordinary	Fouzderhat Industrial Area, Dhaka Trunk Road, North Kattali, Chittagong – 4217, Bangladesh
Burroughs Wellcome International Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Cascan GmbH & Co. KG	Partnership Capital	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Castleton Investment Ltd (vi)	Ordinary	C/O DTOS, 19 Cybercity, 10th Floor Standard Chartered Tower, Ebene, Mauritius
Cellzome GmbH	Ordinary	Meyerhofstrasse 1, Heidelberg, 69117, Germany
Cellzome Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Cellzome Therapeutics, Inc. (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States

Cellzome, Inc.	Common; Series A Preferred; Series B Preferred; Series C-1 Convertible Preferred; Series C-3 Convertible Preferred	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Charles Midgley Limited (iv)	Ordinary; 7% Cumulative Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Chiron Behring Vaccines Private Limited (vi)	Ordinary	401-402, A, Wing, 4th Floor,Floral Deck Plaza, Opp Rolta Bhavan, Central MIDC Road, Mumbai, Andheri (E), 400093, India
Clarges Pharmaceuticals Limited (iv)	Ordinary; Preference (99.97%)	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Colleen Corporation	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Corixa Corporation	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Coulter Pharmaceutical, Inc. (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
de Miclén s.r.o.	Ordinary	Priemyselny Park Gena, Ul. E. Sachsa 4-6, 934 01, Levice, Slovakia
Dealcyber Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Desarrollo Energia Solar Alternativa S.L.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Domantis Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Duncan Consumer Healthcare Philippines Inc	Common	2266 Don Chino Roces Avenue, Makati City, Philippines
Duncan Flockhart Australia Pty Limited (iv) (vi)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Duncan Pharmaceuticals Philippines Inc.	Common	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
Edinburgh Pharmaceutical Industries Limited	Ordinary; Preference	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland
Eskaylab Limited	10p Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Etex Farmaceutica Ltda	Social Capital	Avenue Andres Bello 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
Ex-Lax, Inc.	Common	The Prentice Hall Corporation System, Puerto Rico, Inc., c/o Fast Solutions, LLC, Citi Tower, 252 Ponce de Leon Avenue, Floor 20, San Juan, 00918, Puerto Rico
Fipar (Thailand) Ltd (in liquidation)	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
Genelabs Technologies, Inc.	Common	Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California, CA, 95833, United States
Glaxo AS (iv) (vi)	Ordinary	Drammensveien 288, 1326 Lysaker, Norway
Glaxo Group Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Kabushiki Kaisha (iv)	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
Glaxo Laboratories (Nigeria) Limited (iv)	Ordinary	82 Marine Road, Apapa, Lagos, Nigeria
Glaxo Laboratories Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo New Zealand Pension Plan Trustee Limited	Ordinary	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
Glaxo Operations UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Properties BV	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
Glaxo Verwaltungs GmbH	Ordinary	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Glaxo Wellcome Australia Pty Ltd (iv) (vi)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Glaxo Wellcome Farmaceutica, Limitada	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Glaxo Wellcome International B.V. (v)	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
Glaxo Wellcome Manufacturing Pte Ltd	Ordinary	1 Pioneer Sector 1, Jurong Industrial Estate, Jurong, 628413, Singapore
Glaxo Wellcome Production S.A.S.	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Glaxo Wellcome UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Wellcome Vidhyasom Limited (iv)	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
Glaxo Wellcome, S.A.	Ordinary	Poligono Industrial Allendeduero, Avenida de Extremadura, 3, Aranda de Duero, Burgos, 09400, Spain
Glaxo, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Glaxo-Allenburys (Nigeria) Limited (iv)	Ordinary	41 Creek Road, Apapa, Lagos, PMB 1401, Nigeria
Glaxochem (UK) Unlimited	Ordinary; Ordinary B; Ordinary C	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Glaxochem Pte Ltd (v)	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline - Produtos Farmaceuticos, Limitada	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
GlaxoSmithKline (Cambodia) Co., Ltd. (vi)	Ordinary	5th Floor DKSH Building, No.797 Preah Monivong Boulevard (Corner of Street 484), Sangkat Phsar Deum Thakov, Khan Chamkarmon, Phnom Penh, Cambodia
GlaxoSmithKline (China) Investment Co Ltd	Ordinary	Room 901 - 910, Building A, Ocean International Center, 56 Mid 4th East Ring Road, Bejing, Chaoyang District, China
GlaxoSmithKline (China) R&D Company Limited	Equity	No 3 Building, 898 Halei Road, Zhang Jiang, Hi Tech Park Pudong New Area, Shanghai, China
GlaxoSmithKline (Cyprus) Limited	Ordinary	Arch. Makariou III, 2-4, Capital Center, 9th Floor, Nicosia, P.C. 1505, Cyprus
GlaxoSmithKline (GSK) S.R.L.	Ordinary	1-5 Costache Negri Street, Opera Center One, 5th and 6th floors, Zone 1, District 5, Bucharest, Romania
GlaxoSmithKline (Ireland) Limited (ii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
GlaxoSmithKline (Israel) Ltd	Ordinary	25 Basel Street, PO Box 10283, Petach-Tikva, 49002, Israel
GlaxoSmithKline (Malta) Limited	Ordinary	1, First Floor, De La Cruz Avenue, Qormi, QRM2458, Malta
GlaxoSmithKline (Private) Limited (iv)	Ordinary	Unit 3, 20 Anthony Road, Msasa, Harare, Zimbabwe

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline (Thailand) Limited	Ordinary	12th Floor Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
GlaxoSmithKline A.E.B.E.	Ordinary	266 Kifissias Avenue, Halandri, Athens, 152 32, Greece
GlaxoSmithKline AB	Ordinary	Hemvarnsg. 9, Solna, 171 54, Sweden
GlaxoSmithKline AG	Ordinary	Talstrasse 3-5, 3053 Muenchenbuchsee, Switzerland
GlaxoSmithKline Angola Unipessoal Limitada (vi)	Quotas	Luanda, Bairro Petrangol, Estrada de Cacuaco n° 288, Angola
GlaxoSmithKline Argentina S.A.	Ordinary	Tucumán 1, piso 4, Buenos Aires, C1049AAA, Argentina
GlaxoSmithKline AS	Ordinary	Drammensveien 288, 1326 Lysaker, Norway
GlaxoSmithKline Asia Pvt. Limited	Equity	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Australia Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline B.V.	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Beteiligungs GmbH	Ordinary	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Biologicals (Shanghai) Ltd.	Ordinary	No. 277 Niudun Road, China (Shanghai) Pilot Free Trade Zone
GlaxoSmithKline Biologicals Kft.	Ordinary	2100 Gödöllõ, Homoki Nagy István utca 1, Hungary
GlaxoSmithKline Biologicals S.A.S.	Ordinary	637 Rue des Aulnois, Saint-Amand Les Eaux, 59230, France
GlaxoSmithKline Biologicals SA	Ordinary; Preference	Rue de l'Institut 89, B-1330 Rixensart, Belgium
GlaxoSmithKline Brasil Limitada	Quotas	Estrada dos Banderiantes, 8464, Rio de Janeiro, 22783-110, Brazil
GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda	Quotas	66 BL1/302, Vitor Civita Street, Barra Tijuca, Rio de Janeiro, 22775-044, Brazil
GlaxoSmithKline Capital Inc.	Common	Wilmington Trust SP Services Inc., 1105 North Market Street, Suite 1300, Wilmington, Delaware, 19801, United States
GlaxoSmithKline Capital plc	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Caribbean Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Chile Farmaceutica Limitada	Social Capital	Avenue Andres Bello No. 2687, Piso 19, Las Condes, Santiago, C.P. 7550611, Chile
GlaxoSmithKline Colombia S.A.	Ordinary	Avenida El Dorado, #69B-45/Piso 9, Bogota, Colombia
GlaxoSmithKline Consumer Healthcare (China) Co. Ltd	Ordinary	Floor 8, 168 Xizangzhong Road, Huangpu District, Shanghai, China
GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited	Ordinary	Units 2201, 2214 and 23/F, Tower 6, The Gateway, 9 Canton Road, Harbour City, Tsimshatsui, Kowloon, Hong Kong
GlaxoSmithKline Consumer Healthcare (Ireland) Limited (ii)	Ordinary	12 Riverwalk Citywest Business Campus, Dublin, 24, Ireland
GlaxoSmithKline Consumer Healthcare (Overseas) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (Thailand) Limited	Ordinary	13th Floor, Unit 13.05 and 13.06 Wave Place, 55 Wireless Road, Lumpini, Pathumwan, Bangkok, 10330, Thailand
GlaxoSmithKline Consumer Healthcare (UK) (No.1) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (UK) IP Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (UK) Trading Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare (US) IP LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Healthcare A/S	Ordinary	Nykaer 68, Brondby, DK-2605, Denmark
GlaxoSmithKline Consumer Healthcare AB (vii)	Ordinary	Nykaer 68, DK-2605, Brondby, Denmark
GlaxoSmithKline Consumer Healthcare Australia Pty ltd	Ordinary	82 Hughes Avenue, Ermington, NSW, 2115, Australia
GlaxoSmithKline Consumer Healthcare B.V.	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Consumer Healthcare Colombia SAS	Ordinary	Avenida El Dorado, #69B-45/Piso 9, Bogota, Colombia
GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o.	Ordinary	Hvezdova 1734/2c, Prague, 4 140 00, Czech Republic
GlaxoSmithKline Consumer Healthcare Finance Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Finance No.2 Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Finland Oy	Ordinary	Piispansilta 9A, Fin-02230, Espoo, Finland
GlaxoSmithKline Consumer Healthcare GmbH	Ordinary	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria

GlaxoSmithKline Consumer Healthcare GmbH & Co. KG	Partnership Capital	Barthstr. 4, München, 80339, Germany
GlaxoSmithKline Consumer Healthcare Greece Societe Anonyme	Ordinary	274 Kifissias Avenue Halandri, Athens, 152 32, Greece
GlaxoSmithKline Consumer Healthcare Holdings (US) LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Healthcare Holdings Limited	Ordinary A	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare Inc.	Common	7333 Mississauga Road North, Mississagua, ON, L5N 6L4, Canada
GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 3) Limited (ii) (v)	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No.2) Unlimited Company (ii) (v)	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Consumer Healthcare Investments (Ireland) Limited (ii) (v) (vi)	Ordinary	6900 Cork Airport Business Park, Kinsale Road, Cork, County Cork, Ireland

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline Consumer Healthcare Ireland IP Limited (ii) (v) (vi)	Ordinary	Currabinny, Carrigaline, County Cork, Ireland
GlaxoSmithKline Consumer Healthcare Japan K.K.	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GlaxoSmithKline Consumer Healthcare Korea Co., Ltd.	Ordinary	9F LS Yongsan Tower, 92, Hangang-daero, Yongsan-gu, Seoul, 04386, Korea, Republic of
GlaxoSmithKline Consumer Healthcare L.L.C.	LLC Interests	Corporation Service Company, 2595 Interstate Drive Suite 103, Harrisburg, Pennsylvania, 17110, United States
GlaxoSmithKline Consumer Healthcare Mexico, S. De R.L. de C.V.	Ordinary	Calzada Mexico-Xochimilco 4900, Colonia San Lorenzo Huipulco, Delegacion Tlalpan, Mexico, D.F. 14370, Mexico
GlaxoSmithKline Consumer Healthcare New Zealand Limited	Ordinary	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
GlaxoSmithKline Consumer Healthcare Norway AS	Ordinary	Drammensveien 288, 1326 Lysaker, Norway
GlaxoSmithKline Consumer Healthcare Philippines Inc	Common	2266 Don Chino Roces Avenue, Makati City, Philippines
GlaxoSmithKline Consumer Healthcare Pte. Ltd.	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline Consumer Healthcare S.A.	Ordinary	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
GlaxoSmithKline Consumer Healthcare S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline Consumer Healthcare S.p.A.	Ordinary	Via Zambeletti snc,Baranzate, Milan, 20021, Italy
GlaxoSmithKline Consumer Healthcare Saudi Limited	Ordinary	603 Salamah Tower 6th Floor, Madinah Road Al-Salamah District Jeddah 21425 Saudi Arabia
GlaxoSmithKline Consumer Healthcare Sdn. Bhd.	Ordinary	Lot 89, Jalan Enggang, Ampang/Ulu Kelang Industrial Estate, Selangor, 54200, Malaysia
GlaxoSmithKline Consumer Healthcare Slovakia s. r. o.	Ownership interest	Galvaniho 7/A, Bratislava, 821 04, Slovakia
GlaxoSmithKline Consumer Healthcare South Africa (Pty) Ltd	Ordinary	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline Consumer Healthcare Sp.z.o.o.	Ordinary	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GlaxoSmithKline Consumer Healthcare Sri Lanka Holdings Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Consumer Healthcare SRL	Ordinary	1-5 Costache Negri Street, Opera Center One, 6th floor (Zone 2), District 5, Bucharest, Romania
GlaxoSmithKline Consumer Healthcare Vietnam Company Limited (iv)	Charter Capital	Floor 16, Metropolitan, 235 Dong Khoi, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam
GlaxoSmithKline Consumer Healthcare, Produtos para a Saude e Higiene, Lda	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
GlaxoSmithKline Consumer Holding B.V. (iv)	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Consumer Private Limited	Equity	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Consumer Trading Services Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Costa Rica S.A.	Ordinary	San Jose 300 Este de la Rotonda Betania, Carretera a Sabanilla, Costa Rica
GlaxoSmithKline d.o.o	Quotas	Zmja od Bosne broj 7-7a, Sarajevo, 71000, Bosnia and Herzegovina
GlaxoSmithKline d.o.o.	Equity capital	Ulica Damira Tomljanovica Gavrana 15, Zagreb, Croatia
GlaxoSmithKline doo Beograd	Ordinary	Omladinskih brigada 88, New Belgrade, City of Belgrade, 11070, Serbia
GlaxoSmithKline Dungarvan Limited (ii)	Ordinary	Knockbrack, Dungarvan, Co Waterford, X35 RY76, Ireland
GlaxoSmithKline Ecuador S.A.	Ordinary	Av 10 De Agosto N36-239, y Naciones Unidas, Edificio Electroectuatoriana, 2do piso, Quito, Ecuador
GlaxoSmithKline Eesti OU	Ordinary	Lõõtsa 8a, Tallinn, 11415, Estonia
GlaxoSmithKline El Salvador S.A. de C.V.	Ordinary	Avenida El Boqueron y Calle Izalco No 7 y 8 Parque Industrial El Boqueron, Santa Elen, Antiguo Custatlan, La Libertad, El Salvador
GlaxoSmithKline EOOD	Ordinary	115 G Tsarigradsko Shose Blvd., floor 9, Mladost Region, Sofia, 1784, Bulgaria
GlaxoSmithKline Export Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Export Panama S.A.	Ordinary	Panama City, Republic of Panama, Panama
GlaxoSmithKline Far East B.V.	Ordinary	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
GlaxoSmithKline Finance plc	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

GlaxoSmithKline GmbH & Co. KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Guatemala S.A.	Ordinary	Novena Avenida 0-09, Zona 4, Guatemala City, Guatemala
GlaxoSmithKline Healthcare AO	Ordinary	Presnenskaya nab 10, Moscow, 123112, Russian Federation
GlaxoSmithKline Healthcare GmbH	Ordinary	Barthstr. 4, München, 80339, Germany
GlaxoSmithKline Healthcare Ukraine O.O.O.	Ownership interest	Pavla Tychyny avenue, 1-V, Kiev, 02152, Ukraine
GlaxoSmithKline Holding AS	Ordinary	Drammensveien 288, 1326 Lysaker, Norway
GlaxoSmithKline Holdings (Americas) Inc.	Common	Wilmington Trust SP Services Inc., 1105 North Market Street, Suite 1300, Wilmington, Delaware, 19801, United States
GlaxoSmithKline Holdings (Ireland) Limited	Ordinary; Deferred	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline Holdings (One) Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Holdings Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Holdings Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline Honduras S.A.	Ordinary	Tegucigalpa, MDC, Honduras
GlaxoSmithKline IHC Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S.	Nominative	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
GlaxoSmithKline Inc.	Class A Common; Class C Preference	7333 Mississauga Road North, Mississauga, ON, L5N 6L4, Canada
GlaxoSmithKline Insurance Ltd.	Ordinary	19 Par-La-Ville Road, Hamilton, HM11, Bermuda
GlaxoSmithKline Intellectual Property (No.2) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.3) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property (No.4) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Development Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Holdings Limited	A Ordinary; B Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Limited	Ordinary; Deferred	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Intellectual Property Management Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline International Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Investigación y Desarrollo, S.L.	Ordinary	Severo Ochoa 2 Parque Tecnológico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline Investment Holdings Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Investment Services Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Investments (Ireland) Limited (ii) (v) (vi)	Ordinary	Currabinny, Carrigaline, County Cork, Ireland
GlaxoSmithKline Investments Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
GlaxoSmithKline K.K.	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GlaxoSmithKline Korea Limited	Ordinary	9F LS Yongsan Tower 92, Hangangdae-ro Yongsan-gu, Seoul, 04386, Republic of Korea
GlaxoSmithKline Latin America, S.A.	Ordinary	Panama City, Republic of Panama, Panama
GlaxoSmithKline Latvia SIA	Ordinary	Duntes iela 3, Riga, Latvia
GlaxoSmithKline Lietuva UAB	Ordinary	Ukmerges st. 120, Vilnius, LT-08105, Lithuania
GlaxoSmithKline Limited	Ordinary	Units 2201, 2214 and 23/F, Tower 6, The Gateway, 9 Canton Road, Harbour City, Tsimshatsui, Kowloon, Hong Kong
GlaxoSmithKline Limited	Ordinary	Likoni Road, PO Box 78392, Nairobi, Kenya
GlaxoSmithKline LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Manufacturing SpA	Ordinary	Via Alessandro Fleming 2, Verona, 37135, Italy
GlaxoSmithKline Maroc S.A.	Ordinary	42-44 Angle Bd, Rachidi et Abou Hamed El Glaza, Casablanca, Morocco
GlaxoSmithKline Medical and Healthcare Products Limited	Ordinary	H-1124, Csorsz utca 43, Budapest, Hungary
GlaxoSmithKline Mercury Limited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Mexico S.A. de C.V.	Ordinary A; Ordinary B	Calzada, Mexico-Xochimilco 4900, Colonia San Lorenzo, Huipulco, Delegacion Tlalpan, 14370, Mexico
GlaxoSmithKline NZ Limited	Ordinary	Level 11, Zurich House, 21 Queen Street, Auckland, 1010, New Zealand
GlaxoSmithKline Oy	Ordinary	Piispansilta 9A, P.O. Box 24, Espoo, FIN-02230, Finland
GlaxoSmithKline Panama S.A.	Ordinary	Urbanizacion Industrial Juan D, Calles A Y B, Republic of Panama, Panama

GlaxoSmithKline Paraguay S.A.	Ordinary	Oficial Gilberto Aranda 333, Planta Alta casi Salvador del Mundo, Asuncion, Paraguay
GlaxoSmithKline Peru S.A.	Ordinary	Av. Javier Prado Oeste, 995, San Isidro, LIMA 27, Peru
GlaxoSmithKline Pharma A/S	Ordinary	Nykaer 68, Brondby, DK-2605, Denmark
GlaxoSmithKline Pharma GmbH	Ordinary	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
GlaxoSmithKline Pharmaceutical Kenya Limited	Ordinary	L.R. NO. 209/6921, 5th Floor, Icea Lion Centre, Riverside Park West Wing, Chiromo Road, Westlands P.O. Box 10643-00100, Nairobi, Kenya
GlaxoSmithKline Pharmaceutical Nigeria Limited	Ordinary	1 Industrial Avenue, Ilupeju, Ikeja, Lagos, PM B 21218, Nigeria
GlaxoSmithKline Pharmaceutical Sdn Bhd	Ordinary	Level 6, Quill 9, 112, Jalan Semangat, Petaling Jaya, Selangor Darul Ehsan, 46300, Malaysia
GlaxoSmithKline Pharmaceuticals (Pvt) Ltd	Ordinary	121 Galle Road, Kaldemulla, Moratuwa, Sri Lanka
GlaxoSmithKline Pharmaceuticals (Suzhou) Limited	Ordinary	No 40 Su Hong Xi Road, Suzhou Industrial Park, Suzhou, 215021, China
GlaxoSmithKline Pharmaceuticals Costa Rica S.A	Ordinary	300 metros al este de la Rotonda de la Betania, Mercedes de Montes de Oca, Sabanilla, Montes de Oca, San Jose, Costa Rica

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GlaxoSmithKline Pharmaceuticals S.A.	Ordinary A; Ordinary B; Ordinary C; Ordinary D	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GlaxoSmithKline Pharmaceuticals SA	Ordinary	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
GlaxoSmithKline Pharmaceuticals Ukraine LLC	Chartered Capital	Pavla Tychyny avenue, 1-V, Kiev, 02152, Ukraine
GlaxoSmithKline Philippines Inc	Common	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
GlaxoSmithKline Pte Ltd	Ordinary	23 Rochester Park, 139234, Singapore
GlaxoSmithKline Puerto Rico Inc.	Common	Centro Internacional de Mercadeo, 90 Road # 165, Tower II, Suite 800, Guaynabo, 00968, Puerto Rico
GlaxoSmithKline Republica Dominicana S.A.	Ordinary	Av. Lope de Vega No. 29, Torre Empresarial Novocentro, Local 406, Ensanche Naco, Santo Domingo, Distrito Nacional, Dominican Republic
GlaxoSmithKline Research & Development Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
GlaxoSmithKline S.p.A.	Ordinary	Via Alessandro Fleming 2, Verona, 37135, Italy
GlaxoSmithKline s.r.o.	Ordinary	Hvezdova 1734/2c, Prague, 4 140 00, Czech Republic
GlaxoSmithKline Sante Grand Public SAS	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
GlaxoSmithKline Services GmbH & Co. KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
GlaxoSmithKline Services Inc. (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Services Unlimited (i)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline SL Holdings, LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline SL LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline SL LP (iv)	Partnership	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Slovakia s.r.o.	Ordinary	Galvaniho 7/A, Bratislava, 821 04, Slovakia
GlaxoSmithKline South Africa (Pty) Limited	Ordinary	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
GlaxoSmithKline Trading	Ordinary	Leningradskiy Prospect, 37A, bld. 4, Moscow, 125167, Russian Federation
GlaxoSmithKline Trading Services Limited (ii) (v)	Ordinary	Currabinny, Carrigaline, County Cork, Ireland
GlaxoSmithKline Tuketici Sagligi Anonim Sirketi	Nominative	Büyükdere Caddesi No. 173, 1.Levent Plaza B Blok, 1.Levent, Istanbul, 34394, Turkey
GlaxoSmithKline Tunisia S.A.R.L.	Ordinary	Immeuble Les Quatres R, Rue du Lac Lochness, Berges du Lac, Tunis, Tunisia
GlaxoSmithKline UK Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Uruguay S.A.	Registered shares provisory stock	Salto 1105, CP 11.200 Montevideo, Uruguay
GlaxoSmithKline US Trading Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GlaxoSmithKline Venezuela C.A.	Ordinary	Urbanizacion La Trinidad, Calle luis De Camoems, Edif No 115-117 Apatado Posta, Caracas, 1010, Venezuela
GlaxoSmithKline Vietnam Limited Liability Company (iv) (vi)	Equity capital	The Metropolitan, 235 Dong Khoi Street, District 1, 7th Floor Unit 701, Ho Chi Minh City, Viet Nam
GlaxoSmithKline-Consumer Hungary Limited Liability Company	Membership	H-1124, Csorsz utca 43, Budapest, Hungary
GlycoVaxyn AG (vi)	Common; Preferred A; Preferred B; Preferred C	Grabenstrasse 3, 8952 Schlieren, Switzerland
Groupe GlaxoSmithKline S.A.S.	Ordinary	23 Rue françois Jacob, 92500, Rueil-Malmaison, France
GSK Australia NVD Pty Ltd (iv) (vi)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia

GSK Business Service Centre Sdn Bhd	Ordinary	Level 6, Quill 9, 112, Jalan Semangat, Petaling Jaya, Selangor Darul Ehsan, 46300, Malaysia
GSK Capital K.K.	Ordinary	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
GSK CH Argentina S.A.	Nominative non endorseable ordinary shares	Tucumán 1, piso 4, Buenos Aires, C1049AAA, Argentina
GSK CH Kazakhstan LLP	Charter Capital	32 A Manasa Str., Bostandyk District, Almaty, 050008, Kazakhstan
GSK Commercial Sp. z o.o.	Ordinary	ul. Rzymowskiego 53, Warsaw, 02-697, Poland
GSK Consumer Health, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GSK Consumer Healthcare Israel Ltd	Ordinary	25 Basel Street, Petech Tikva 49510, Israel
GSK Consumer Healthcare S.A.	Ordinary	Route de l'Etraz 2, 1197 Prangins, Switzerland
GSK Consumer Healthcare Schweiz AG	Ordinary	Suurstoffi 14, Rotkreuz, 6343, Switzerland
GSK Consumer Healthcare Services, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GSK Consumer Healthcare Singapore Pte. Ltd.	Ordinary	23 Rochester Park, 139234, Singapore

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
GSK d.o.o., Ljubljana	Ordinary	Ameriška ulica 8,Ljubljana, 1000, Slovenia
GSK Finance (No 2) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
GSK Kazakhstan LLP	Partnership Interest	273, N. Nazarbayev ave., Almaty, Medau District, 050059, Kazakhstan
GSK Pharmaceutical Trading SA (iv) (vi)	Ordinary	5 Poienelor Street, Brasov, Romania
GSK Services Sp z o.o.	Ordinary	Ul. Grunwaldzka 189, Poznan, 60-322, Poland
GSK Vaccines BV	Ordinary	Hullenbergweg 85, Amsterdam, 1101 CL, Netherlands
GSK Vaccines GmbH	Ordinary	Emil-von-Behring-Str.76, 35041 Marburg, Germany
GSK Vaccines Institute for Global Health S.r.l.	Quotas	Via Fiorentina 1, Siena, 53100, Italy
GSK Vaccines S.r.l.	Quotas	Via Fiorentina 1, Siena, 53100, Italy
GSK Vaccines Vertriebs GmbH (iv)	Ordinary	Rudolf-Diesel-Ring 27, Holzkirchen, 83607, Germany
HGS France S.a.r.l. (iv) (vi)	Ordinary	117 Avenue, Victor Hugo, Boulogne-Billancourt, 92100, France
Horlicks Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Human Genome Sciences, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ID Biomedical Corporation of Quebec	Common	2323 du Parc Technologique, Québec, PQ, G1P 4R8, Canada
ID Biomedical Corporation of Washington (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Instituto Luso Farmaco, Limitada (iv)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
InterPharma Dienstleistungen GmbH	Quotas	Wagenseilgasse 3, Euro Plaza, Gebäude I, 4. Stock, Vienna, A-1120, Austria
Iodosan S.p.A.	Ordinary	Via Zambeletti snc,Baranzate, Milan, 20021, Italy
J&J Technologies, LC (iv)	LLC Interests	Corporation Service Company, Bank of America, 16th Floor, 1111 East Main Street, Richmond, Virginia, 23219, United States
Kuhs GmbH	Ordinary	Barthstr. 4, München, 80339, Germany
Laboratoire GlaxoSmithKline	Ordinary	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoire Pharmaceutique Algérien LPA Production SPA	Ordinary	Zone Industrielle Est, Boudouaou, Boumerdes, Algeria
Laboratoire Pharmaceutique Algérien SPA	Ordinary	Zone Industrielle Est, Boudouaou, Boumerdes, Algeria
Laboratoires Paucourt (iv)	Ordianry	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratoires Saint-Germain (iv)	Ordianry	23 rue François Jacob, 92500, Rueil-Malmaison, France
Laboratorios Dermatologicos Darier, S.A de C.V.	Ordinary A, Ordinary B	Calzada Mexico Xochimilco, 4900 San Lorenzo Huipulco, District Federal Mexico, 14370, Mexico
Laboratorios Farmaceuticos Stiefel (Portugal) LTDA (iv)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Laboratorios Stiefel de Venezuela SA	Ordinary	Calle Luis de Camoens, Edificio GlaxoSmithKline, No. 115-117, Urb. La Trinidad, Caracas, Venezuela
Laboratorios Stiefel Ltda.	Ordinary	Rua Professor Joao Cavalheiro Salem 1077, Guarulhos, Sao Paulo, Brazil
Laboratorios Wellcome De Portugal Limitada (iv)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Maxinutrition Limited (in liquidation)	Ordinary	55 Baker Street, London, W1U 7EU, England
Mixis Genetics Limited (vi)	Ordinary; Ordinary Euro	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Montrose Fine Chemical Company Ltd	Ordinary	Shewalton Road, Irvine, Ayrshire, KA11 5AP, Scotland
Montrose Pharma Company Limited (iv) (vi)	Ordinary Quota	H-1124, Csorsz utca 43, Budapest, Hungary
N.C.H. – Nutrition Consumer Health Ltd (iv)	Ordinary	14 Hamephalsim St, Petach Tikva, Israel
Okairos AG (in liquidation)	Common; Preferred A; Preferred B	c/o OBC Suisse AG, Aeschenvorstadt 71, 4051, Basel, Switzerland
P.T. Sterling Products Indonesia	A shares; B Shares	Graha Paramita Building, 5th F, Jalan Denpasar Raya Blok D-2, Jakarta, 12940, Indonesia
Panadol GmbH	Ordinary	Barthstr. 4, München, 80339, Germany

Penn Labs Inc. (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
PT GSK Consumer Healthcare Indonesia	Ordinary	Graha Paramita 5th F, Jl. Denpasar Raya Blok D-2, Kuningan, Jakarta, 12940, Indonesia
PT. Bina Dentalindo (in liquidation)	Ordinary	Gedung Graha Ganesha Lantai 3, Jl Raya Bekasi Km 17, No5, Jakarta Timur 13930, Indonesia
S.R. One International B.V.	Ordinary	Huis ter Heideweg, 62 3705, LZ Zeist, Netherlands
S.R. One, Limited	Units (Common)	Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg, Pennsylvania, 17110, United States

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
Setfirst Limited	Ordinary; Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Smith Kline & French Laboratories Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Smith Kline & French Portuguesa-Produtos Farmaceuticos, LDA (iv)	Ordinary Quota	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
SmithKline Beecham (Bangladesh) Private Limited (iv)	Ordinary	14, Topkhana Road, Segunbagicha, Dhaka 1000, Bangladesh
SmithKline Beecham (Cork) Limited (ii)	Ordinary	Currabinny, Carrigaline, County Cork, Ireland
SmithKline Beecham (Export) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham (H) Limited	Non-cumulative non-redeemables; Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham (Investments) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham (Manufacturing) Limited (ii)	Ordinary	Currabinny, Carrigaline, County Cork, Ireland
SmithKline Beecham (SWG) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Biologicals US Partnership	Partnership Interest	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Egypt L.L.C.	Quotas	Amoun Street, El Salam City, Cairo, Egypt
SmithKline Beecham Farma, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
SmithKline Beecham Inter-American Corporation (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Limited	Ordinary 6.25p	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Marketing and Technical Services Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Nominees Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Overseas Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pension Plan Trustee Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pension Trustees Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham Pharma GmbH & Co KG	Partnership Capital	Prinzregentenplatz 9, Munchen, 81675, Germany
SmithKline Beecham Pharma Verwaltungs GmbH	Ordinary	Prinzregentenplatz 9, Munchen, 81675, Germany
SmithKline Beecham Pharmaceuticals (Pty) Limited (iv) (vi)	Ordinary	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
SmithKline Beecham Pharmaceuticals Co.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
SmithKline Beecham Port Louis Limited (vi)	Ordinary	C/o CIM Corporate Services Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius
SmithKline Beecham Research Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
SmithKline Beecham S.A.	Ordinary	Ctra de Ajalvir Km 2.500, Alcala de Henares, Madrid, 28806, Spain
SmithKline Beecham Senior Executive Pension Plan Trustee Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Stafford-Miller (Ireland) Limited (ii)	Ordinary	Clocherane, Youghal Road, Dungarvan, Co. Waterford, Ireland
Stafford-Miller Limited	Ordinary; Non-Cumulative Non Redeemable Preference	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Sterling Drug (Malaya) Sdn Berhad	Ordinary	Lot 89, Jalan Enggang, Ampang/Ulu Kelang Industrial Estate, Selangor, 54200, Malaysia
Sterling Products International, Incorporated (iv)	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Stiefel Consumer Healthcare (UK) Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Stiefel Distributors (Ireland) Limited (ii) (iv)	Ordinary	Finisklin Business Park, Sligo, Ireland
Stiefel Dominicana, S.R.L. (iv) (vi)	Ordinary	Ave. Lope de Vega #29, Torre NovoCentro, Local 406, Santo Domingo, Dominican Republic
Stiefel Farma, S.A.	Ordinary	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain

Stiefel GmbH & Co. KG	Partnership Capital	Industriestrasse 32-36, Bad Oldesloe, 23843, Germany
Stiefel India Private Limited	Equity	401-402, A, Wing, 4th Floor, Floral Deck Plaza, Opp Rolta Bhavan, Central MIDC Road, Mumbai, Andheri (E), 400093, India
Stiefel Laboratories (Ireland) Limited (ii)	Ordinary	Finisklin Business Park, County Sligo, Ireland
Stiefel Laboratories (Maidenhead) Ltd (vi)	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England
Stiefel Laboratories (U.K.) Ltd	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England
Stiefel Laboratories Legacy (Ireland) Limited (ii)	Ordinary	Finisklin Business Park, Sligo, Ireland
Stiefel Laboratories Limited (iv)	Ordinary	Eurasia Headquarters, Concorde Road, Maidenhead, Berkshire, SL6 4BY, England
Stiefel Laboratories Pte Limited (iv)	Ordinary	103 Gul Circle, 629589, Singapore

Other statutory disclosures continued

Group companies continued

Name	Security	Registered address
Wholly owned subsidiaries continued		
Stiefel Laboratories, Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Stiefel Maroc SARL (iv) (vi)	Ordinary	275 Boulevard Zerktouni, Casablanca, Morocco
Stiefel Research (Australia) Holdings Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Stiefel Research Australia Pty Ltd	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Stiefel West Coast LLC	LLC Interests	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Strebor Inc.	Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Tempero Pharmaceuticals, Inc.	Series A Preference; Series B Preference; Common	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
The Sydney Ross Co. (iv)	Common	Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Blvd, Ewing, New Jersey, 08628, United States
The Wellcome Foundation Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
UCB Pharma Asia Pacific Sdn Bhd (iv)	Ordinary	Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, Petaling Jaya, Selangor Darul Ehsan, 47301, Malaysia
Vog AU PTY LTD (iv)	Ordinary; Redeemable Preference	82 Hughes Avenue, Ermington, NSW, 2115, Australia
Wellcome Consumer Healthcare Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Consumer Products Limited (iv)	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Developments Pty Ltd (iv) (vi)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia
Wellcome Limited	Ordinary	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Wellcome Operations Pty Ltd (iv) (vi)	Ordinary	1061 Mountain Highway, Boronia, VIC, 3155, Australia

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100%			
Amoun Pharmaceutical Industries Co. S.A.E.	New Monetary Shares (99.5%)	90.7	El Salam City 11491, PO Box 3001, Cairo, Egypt
Beecham Enterprises Inc. (iv)	Common	88	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Biddle Sawyer Limited	Equity	75	252 Dr Annie Besant Road, Mumbai, 400030, India
British Pharma Group Limited (i)	Capital (50%)	50	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Galvani Bioelectronics Inc.	Common	55	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Galvani Bioelectronics Limited	A Ordinary; B Ordinary (0%)	55	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
Glaxo Saudi Arabia Limited	Ordinary	75	PO Box 22617, Area No 73 to 156, Warehouse City, First Stage Al Khomrah, Jeddah 21416, Saudi Arabia
Glaxo Wellcome Ceylon Limited	Ordinary; Ordinary B	99.6	121 Galle Road, Kaldemulla, Moratuwa, Sri Lanka
GlaxoSmithKline (Tianjin) Co. Ltd	Ordinary	90	No. 65, the Fifth Avenue, Tai Feng Industrial Park, Tianjin Economic and Technolog, Tianjin, 300457, China
GlaxoSmithKline Algérie S.P.A.	Ordinary	99.99	Zone Industrielle Est, Boudouaou, Wilaya de Boumerdes, Algeria
GlaxoSmithKline Bangladesh Limited (vi)	Ordinary (82%)	82	Fouzderhat Industrial Area, Dhaka Trunk Road, North Kattali, Chittagong – 4217, Bangladesh
GlaxoSmithKline Consumer Healthcare Limited (vi)	Ordinary	72.5	Patiala Road, Nabha 147201, Dist Patiala, Punjab, India
GlaxoSmithKline Consumer Healthcare Pakistan Limited	Ordinary (85.8%)	85.8	The Sykes Building, 35 Dockyard Road, West Wharf, Karachi, 74000, Pakistan

GlaxoSmithKline Consumer Healthcare, L.P.	Partnership Capital	88	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
GlaxoSmithKline Consumer Nigeria plc (iii)	Ordinary (46.4%)	46.4	1 Industrial Avenue, Ilupeju, Ikeja, Lagos, PM B 21218, Nigeria
GlaxoSmithKline OTC (PVT.) Limited	Ordinary	85.8	The Sykes Building, 35 Dockyard Road, West Wharf, Karachi, 74000, Pakistan
GlaxoSmithKline Pakistan Limited	Ordinary (82.6%)	82.6	35 Dockyard Road, West Wharf, Karachi, 74000, Pakistan
GlaxoSmithKline Pharmaceuticals Limited	Equity (75%)	75	252 Dr Annie Besant Road, Mumbai, 400030, India
GlaxoSmithKline S.A.E.	Ordinary (91.2%)	91.2	Boomerang Office Building - Land No. 46, Zone (J) – 1st District, Town Center – 5th Tagammoe, New Cairo City, Egypt

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
GSK-Gebro Consumer Healthcare GmbH	Ordinary	60	Bahnhofbichl 13, 6391 Fieberbrunn, Kitzbühel, Austria
Laboratorios ViiV Healthcare, S.L.	Ordinary	78.3	Severo Ochoa, 2, Parque Tecnologico de Madrid, Tres Cantos, Madrid, 28760, Spain
Modern Pharma Trading Company L.L.C.	Quotas (98.2%)	98.2	Amoun Street, PO Box 3001, El Salam City, Cairo, 11491, Egypt
P.T. SmithKline Beecham Pharmaceuticals	A Shares; B Shares (0%)	99	Jl. Pulobuaran Raya, Kav. III DD/2,3,4, Kawasan Industri Pulogadung, Jakarta, 13930, Indonesia
PHIVCO Jersey II Limited (iv) (v) (vi)	Ordinary	78.3	13 Castle Street, St. Helier, JE4 5UT, Jersey
PHIVCO Jersey Limited (iv) (v) (vi)	Ordinary	78.3	13 Castle Street, St. Helier, JE4 5UT, Jersey
PHIVCO UK II Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
PHIVCO UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
PHIVCO-1 LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
PHIVCO-2 LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
PT Glaxo Wellcome Indonesia	A Shares; B Shares (0%)	95	Jl Pulobuaran Raya Kav III DD/, Kawasan Industri Pulogadung, Timur, Jakarta, 13930, Indonesia
Shionogi-ViiV Healthcare LLC (iv)	Common Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Sino-American Tianjin Smith Kline & French Laboratories Ltd	Ordinary (55%)	55	Cheng Lin Zhuang Industrial Zone, Dong Li District, Tianjin, 300163, China
SmithKline Beecham (Private) Limited	Ordinary (99.6%)	99.6	World Trade Center, Level 34, West Tower, Echelon Square, Colombo 1, Sri Lanka
SmithKline Beecham-Biomed O.O.O.	Participation Interest (97%)	97	Leningradskiy Prospect, 37A, bld. 4, Moscow, 125167, Russian Federation
Stiefel Egypt LLC (iv)	Quota (99%)	99	Amoun Street, El Salam City, Cairo, Egypt
ViiV Healthcare (South Africa) (Proprietary) Limited (iv) (vi)	Ordinary	78.3	Flushing Meadows Building, The Campus, 57 Sloane Street, Bryanston 2021, South Africa
ViiV HealthCare BV	Ordinary	78.3	Huis ter Heideweg 62, 3705 LZ, Zeist, Netherlands
ViiV Healthcare Company	Common	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ViiV Healthcare Finance 1 Limited (vi)	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Finance 2 Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Finance Limited	Ordinary; Redeemable Preference	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare GmbH	Ordinary	78.3	Prinzregentenplatz 9, Munchen, 81675, Germany
ViiV Healthcare GmbH	Ordinary	78.3	Talstrasse 3-5, 3053 Muenchenbuchsee, Switzerland
ViiV Healthcare Hong Kong Limited (iv)	Ordinary	78.3	23/F Tower 6, The Gateway, 9 Canton Road, Harbour City, Tsimshatsui, Kowloon, Hong Kong
ViiV Healthcare Kabushiki Kaisha	Ordinary	78.3	1-8-1 Akasaka Minato-Ku, Tokyo, Japan
ViiV Healthcare Limited	Class A Shares, Deferred; Class B Shares (0%); Class C Shares (0%); Class D1 (0%); Class D2 (0%); Class E 5% Cumulative Preference (0%)	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Overseas Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare Pty Ltd	Ordinary	78.3	1061 Mountain Highway, Boronia, VIC, 3155, Australia
ViiV Healthcare Puerto Rico, LLC	LLC Interests	78.3	Centro International de Mercadeo, 90 carr. 165 Torre 2, Suite 800, Guaynabo, 00968, Puerto Rico

ViiV Healthcare S.r.l.	Quota	78.3	Via Alessandro Fleming 2, Verona, 37135, Italy
ViiV Healthcare SAS	Ordinary	78.3	23 rue François Jacob, 92500, Rueil-Malmaison, France
ViiV Healthcare sprl	Ordinary	78.3	Site Apollo, Avenue Pascal 2-4-6, Wavre, 1300, Belgium
ViiV Healthcare Trading LLC (iv)	Participation Interest	78.3	Leningradskiy Prospect, 37A, bld. 4, Moscow, 125167, Russian Federation
ViiV Healthcare Trading Services UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.2) Limited (v) (vi)	Ordinary	78.3	13 Castle Street, St. Helier, JE4 5UT, Jersey
ViiV Healthcare UK (No.3) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.4) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.5) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare UK (No.6) Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England

Other statutory disclosures continued

Group companies continued

Name	Security	Effective % Ownership	Registered address
Subsidiaries where the effective interest is less than 100% continued			
ViiV Healthcare UK Limited	Ordinary	78.3	980 Great West Road, Brentford, Middlesex, TW8 9GS, England
ViiV Healthcare ULC	Common	78.3	3500 855-2nd Street SW, Calgary, AB, T2P 4J8, Canada
ViiV Healthcare Venture LLC	LLC Interests	78.3	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
ViiVHIV Healthcare Unipessoal Lda	Quota	78.3	Rua Dr Antonio Loureiro Borges No 3, Arquiparque, Miraflores, Alges, 1495-131, Portugal
Winster Pharmaceuticals Limited (iv)	Ordinary	46.4	2A Association Avenue, Ilupeju Industrial Estate, Lagos, PO Box 3199, Nigeria
Zhejiang Tianyuan Bio-Pharmaceutical Co. Ltd.	Ordinary	95	No. 56, Tian He Road, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province, China
Associates			
Apollo Therapeutics LLP	Partnership Interest (25%)	25	Gunnels Wood Road, Stevenage SG1 2FX, England
Calci Medica Inc.	Series A and Junior Preferred (33.9%)	43.3	505 Coast Boulevard South, Suite 202, La Jolla, CA 92037, United States
GlaxoSmithKline Landholding Company, Inc.	Common (40%)	40	2266 Chino Roces Avenue, City of Makati, 1231, Philippines
Index Ventures Life VI (Jersey) LP	Partnership Interest (25%)	25	3 Burlington Gardens, London W15 3EP, England
Innoviva, Inc.	Common (31.7%)	31.7	2000 Sierra Point Parkway, Suite 500, Brisbane, CA 94005, United States
Japan Vaccine Distribution Co., Ltd	Ordinary (50%)	50	6 Yobancho, Chiyoda-Ku, Tokyo, Japan
Kurma Biofund II, FCPR	Partnership Interest (32%)	32	24 Rue Royale, 5e étage, 75008 Paris, France
Longwood Founders Fund LP	Partnership Interest (28%)	28	The Prudential Tower, 800 Boylston Street, Suite 1555, Boston, MA 02199, United States
Medicxi Ventures I LP	Partnership Interest (26.2%)	26.2	25 Great Pulteney Street, Soho, London W1F 9ND, England
Joint Ventures			
Chiron Panacea Vaccines Private Limited (vi)	Equity Shares (50%)	50	708/718, 7th Floor, A Wing, Sagar Tech Plaza, Saki Naka, Andheri East, Mumbai, Maharashtra, 400072, India
Japan Vaccine Co., Ltd. (vi)	Ordinary	50	6 Yonbancho, Chiyoda-ku, Tokyo, Japan
Japan Vaccine Distribution Co., Ltd. (vi)	Ordinary	50	6 Yonbancho, Chiyoda-ku, Tokyo, Japan
Qualivax Pte. Limited	Ordinary	50	80 Robinson Road, #02-00, 068898 Singapore
Quell Intellectual Property Corp., LLC (iv)	Membership Interest	50	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States
Qura Therapeutics, LLC	Units	50	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808, United States

Key

(i) Directly owned by GlaxoSmithKline plc.

(ii) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in Section 357 of that Act.

(iii) Consolidated as a subsidiary in accordance with section 1162 (4)(a) of the Companies Act 2006 on the grounds of dominant influence.

(iv) Dormant company.

(v) Tax resident in the UK.

(vi) Entity expected to be disposed of or removed.

(vii) Incorporated in Sweden.

Glossary of terms

Terms used in the Annual Report	US equivalent or brief description
Accelerated capital allowances	Tax allowance in excess of depreciation arising from the purchase of fixed assets that delay the charging and payment of tax. The equivalent of tax depreciation.
American Depositary Receipt (ADR)	Receipt evidencing title to an ADS. Each GSK ADR represents two Ordinary Shares.
American Depositary Shares (ADS)	Listed on the New York Stock Exchange; represents two Ordinary Shares.
Basic earnings per share	Basic income per share.
Called up share capital	Ordinary Shares, issued and fully paid.
CER growth	Growth at constant exchange rates.
The company	GlaxoSmithKline plc.
Currency swap	An exchange of two currencies, coupled with a subsequent re-exchange of those currencies, at agreed exchange rates and dates.
Defined benefit plan	Pension plan with specific employee benefits, often called ‘final salary scheme’.
Defined contribution plan	Pension plan with specific contributions and a level of pension dependent upon the growth of the pension fund.
Derivative financial instrument	A financial instrument that derives its value from the price or rate of some underlying item.
Diluted earnings per share	Diluted income per share.
Employee Share Ownership Plan Trusts	Trusts established by the Group to satisfy share-based employee incentive plans.
Equity Shareholders’ funds	Shareholders’ equity.
Finance lease	Capital lease.
Freehold	Ownership with absolute rights in perpetuity.
The Group	GlaxoSmithKline plc and its subsidiary undertakings.
GSK	GlaxoSmithKline plc and its subsidiary undertakings.
Hedging	The reduction of risk, normally in relation to foreign currency or interest rate movements, by making off-setting commitments.
Intangible fixed assets	Assets without physical substance, such as computer software, brands, licences, patents, know-how and marketing rights purchased from outside parties.
Novartis transaction	The three-part inter-conditional transaction with Novartis AG involving the Consumer Healthcare, Vaccines and Oncology businesses completed on 2 March 2015.
Ordinary Share	A fully paid up ordinary share in the capital of the company.
Profit	Income.
Profit attributable to shareholders	Net income.
Share capital	Ordinary Shares, capital stock or common stock issued and fully paid.
Share option	Stock option.
Share premium account	Additional paid-up capital or paid-in surplus (not distributable).
Shares in issue	The number of shares outstanding.
Subsidiary	An entity in which GSK exercises control.
Treasury share	Treasury stock.
Turnover	Revenue.

UK Corporate Governance Code	As required by the UK Listing Authority, the company has disclosed in the Annual Report how it has applied the best practice corporate governance provisions of the Financial Reporting Council's UK Corporate Governance Code.

Index

About GSK

GlaxoSmithKline plc was incorporated as an English public limited company on 6 December 1999. We were formed by a merger between Glaxo Wellcome plc and SmithKline Beecham plc. GSK acquired these two English companies on 27 December 2000 as part of the merger arrangements.

Our shares are listed on the London Stock Exchange and the New York Stock Exchange.

 Read more at **www.gsk.com**

Acknowledgements

Design
Friend www.friendstudio.com

Printing

Pureprint Group, ISO 14001.
FSC certified and Carbon Neutral.

Paper

This Annual Report is printed on Revive 100 Silk, a 100% recycled paper with full FSC certification. All pulps used are made from 100% de-inked, paper waste and are elemental chlorine free. The manufacturing mill holds the ISO 14001 and EU Ecolabel certificates for environmental management.

Download PDFs:

 Annual Report 2018

 Form 20-F

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and shareholders are cautioned not to place undue reliance on the forward-looking statements.

Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement.

Such factors include, but are not limited to, those discussed under 'Principal risks and uncertainties' on pages 241 to 250 of this Annual Report. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this Annual Report.

A number of non-IFRS measures are used to report the performance of our business. These measures are defined on pages 40 to 42 and a reconciliation of Adjusted results to Total results is set out on page 51.

The information in this document does not constitute an offer to sell or an invitation to buy shares in GlaxoSmithKline plc or an invitation or inducement to engage in any other investment activities. Past performance cannot be relied upon as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

Assumptions related to 2016-2020 outlook

In outlining the expectations for 2019 and the five-year period 2016-2020, the Group has made certain assumptions about the healthcare sector, the different markets in which the Group operates and the delivery of revenues and financial benefits from its current portfolio, pipeline and restructuring programmes.

For the Group specifically, over the period to 2020, GSK expects further declines in sales of *Seretide/Advair*. The introduction of a generic alternative to *Advair* in the US has been factored into the Group's assessment of its future performance. The Group assumes no premature loss of exclusivity for other key products over the period.

The assumptions for the Group's revenue, earnings and dividend expectations assume no material interruptions to supply of the Group's products, no material mergers, acquisitions or disposals, except for the acquisition of Tesaro, the proposed divestment of *Horlicks* and other Consumer Healthcare products to Unilever and the proposed formation of a new Consumer Healthcare Joint Venture with Pfizer, all announced in December 2018, no material litigation or investigation costs for the Company (save for those that are already recognised or for which provisions have been made), no share repurchases by the Company, and no change in the Group's shareholdings in ViiV Healthcare. The assumptions also assume no material changes in the macro-economic and healthcare environment. The 2019 guidance and 2016-2020 outlook have factored in all divestments and product exits since 2015, including the divestment and exit of more than 130 non-core tail brands (£0.5 billion in annual sales) as announced on 26 July 2017 and the product divestments planned in connection with the proposed Consumer Healthcare transaction with Pfizer.

The Group's expectations assume successful delivery of the Group's integration and restructuring plans over the period 2016-2020, including the extension and enhancement to the combined programme announced on 26 July 2017 as well as the new major restructuring plan announced on 25 July 2018.

They also assume that the proposed Consumer Healthcare nutrition disposal closes by the end of 2019 and the proposed Consumer Healthcare Joint Venture with Pfizer closes during H2 2019 and that the integration and investment programmes following the Tesaro acquisition and the proposed Consumer Healthcare Joint Venture with Pfizer over this period are delivered successfully.

Material costs for investment in new product launches and R&D have been factored into the expectations given. Given the potential development options in the Group's pipeline, the outlook may be affected by additional data-driven R&D investment decisions. The expectations are given on a constant currency basis (2016-2020 outlook at 2015 CER).

Subject to material changes in the product mix, the Group's medium-term effective tax rate is expected to be around 19% of Adjusted profits. This incorporates management's best estimates of the impact of US tax reform on the Group based on the information currently available. As more information on the detailed application of the US Tax Cuts and Jobs Act becomes available, the assumptions underlying these estimates could change with consequent adjustments to the charges taken that could have a material impact on the results of the Group.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Directors' Report (for which see page 94), the Strategic report and the Remuneration report. Under English law the Directors would be liable to the company, but not to any third party, if one or more of these reports contained errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would otherwise not be liable. Pages 65 to 94, 126 to 127, and 241 to 270 inclusive comprise the Directors' Report, pages 01 to 64 inclusive comprise the Strategic report and pages 95 to 124 inclusive comprise the Remuneration report, each of which have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Website

GSK's website www.gsk.com gives additional information on the Group. Notwithstanding the references we make in this Annual Report to GSK's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.

Head Office and Registered Office
GlaxoSmithKline plc
980 Great West Road
Brentford, Middlesex TW8 9GS
United Kingdom
Tel: +44 (0)20 8047 5000
Registered number: 3888792

www.gsk.com

Search for us here