Pre-Quarterly Results Communication Q3 2019

Issued: Monday 7th October 2019

Contents

New information for Q3 2019

Key update during Q3 2019

01 August 2019: GSK completes transaction with Pfizer to form new world-leading Consumer Healthcare Joint Venture
https://www.gsk.com/en-gb/media/press-releases/gsk-completes-transaction-with-pfizer-to-form-new-world-leading-consumer-healthcare-joint-venture/

Foreign exchange

Average rates Quarterly	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Key currencies							
US$	1.39	1.35	1.31	1.27	1.31	1.28	1.23
€	1.13	1.15	1.11	1.13	1.15	1.14	1.11
Yen	151	147	146	144	144	140	133
Other currencies							
Australian dollar	1.77	1.79	1.78	1.78	1.83	1.83	1.80
Brazilian real	4.53	4.89	5.10	4.88	4.96	4.99	4.94
Canadian dollar	1.76	1.74	1.72	1.70	1.74	1.71	1.63
Chinese yuan	8.82	8.68	8.90	8.84	8.81	8.73	8.64
Indian rupee	89.5	90.5	92.1	90.3	91.7	89.0	86.4
Russian rouble	79.0	83.4	84.5	85.9	86.7	82.6	79.9
FX impact on turnover	***-6%***	***-4%***	***-3%***	***+2%***	***+1%***	***+2%***	***+4%***
FX impact on adjusted EPS	***-13%***	***-7%***	***-4%***	***+4%***	***+4%***	***+5%***	***n/a***

On the basis of the rates in the table above, it is expected that the positive impact of foreign exchange on Q3 2019 sales will be around +4%.

As a result of the mix of currency movements relative to the mix of costs, we expect that the positive impact of foreign exchange on Q3 2019 sterling Adjusted EPS will be greater than the positive impact on sales.

Average rates Cumulative - YTD	3M 2018	6M 2018	9M 2018	12M 2018	3M 2019	6M 2019	9M 2019
Key currencies							
US$	1.39	1.37	1.35	1.33	1.31	1.29	1.27
€	1.13	1.14	1.13	1.13	1.15	1.14	1.13
Yen	151	149	148	147	144	142	139
Other currencies							
Australian dollar	1.77	1.78	1.78	1.78	1.83	1.83	1.82
Brazilian real	4.53	4.71	4.84	4.85	4.96	4.97	4.96
Canadian dollar	1.76	1.75	1.74	1.73	1.74	1.73	1.69
Chinese yuan	8.82	8.75	8.80	8.81	8.81	8.77	8.73
Indian rupee	89.5	90.0	90.7	90.6	91.7	90.3	89.0
Russian rouble	79.0	81.2	82.3	83.2	86.7	84.7	83.1
FX impact on turnover	***-6%***	***-5%***	***-4%***	***-3%***	***+1%***	***+1%***	***+3%***
FX impact on adjusted EPS	***-13%***	***-10%***	***-8%***	***-5%***	***+4%***	***+4%***	***n/a***

On the basis of the rates in the table above, it is expected that the positive impact of foreign exchange on 9M 2019 sales will be around +3%. We also expect that the positive impact of foreign exchange on 9M 2019 sterling Adjusted EPS will likely be greater than the positive impact on sales.

The Q3 2019 period-end rates were $1.23/£, €1.13/£ and Yen 133/£.

Period end rates	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019
Key currencies								
US$	1.35	1.40	1.32	1.30	1.27	1.31	1.27	1.23
€	1.13	1.14	1.13	1.12	1.11	1.17	1.12	1.13
Yen	152	149	146	148	140	145	137	133

Foreign exchange: Exchange Gains or (Losses)

Sharp movements and volatility in currencies during a quarter can result in Exchange Gains or Losses (EGOLs) which are recorded in SG&A. During Q3 2019 there was continued volatility in several currencies relative to Sterling.

EGOLs as reported (£m)	Q1	Q2	Q3	Q4	Full Year
2017	(12)	(20)	(18)	(12)	(62)
2018	(32)	(15)	(15)	(8)	(70)
2019	(12)	4			

Foreign exchange: Ready reckoner

In the 2018 FY results presentation on 6 February 2019, the following ready reckoner was provided on slide 31 to help estimate the expected impact of foreign exchange movements on adjusted EPS*:

Currency	Impact on 2019 full year adjusted EPS
US dollar	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-4.5%
Euro	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-2.0%
Japanese yen	10 yen movement in average exchange rate for full year impacts EPS by approximately +/-1.0%

*Please note that the ready reckoner does not include the impact of inter-company exchange gains or losses

The slide also included 2018 currency sales exposure for GSK:

Currency	2018 currency sales exposure
US dollar	39%
Euro	20%
Japanese yen	6%
Other‡	35%

‡The other currencies that each represent more than 1% of Group sales are: Australian dollar, Brazilian real, Canadian dollar, Chinese yuan, Indian rupee and Russian rouble. In total, they accounted for 13% of Group revenues in 2018

Currency impact 2019

In the Q2 2019 press release we made the following comment on the potential impact of currencies on sales and EPS in 2019:

"If exchange rates were to hold at the closing rates on 30 June 2019 ($1.27/£1, €1.12/£1 and Yen 137/£1) for the rest of 2019, the estimated positive impact on 2019 Sterling turnover growth would be around 2% and if exchange gains or losses were recognised at the same level as in 2018, the estimated positive impact on 2019 Sterling Adjusted EPS growth would be around 4%."

We will update you on our latest view on the estimated impact of currencies in 2019 in our Q3 2019 press release on 30 October.

Basic weighted average number of shares (WANS)

The basic weighted average number of shares in issue during Q3 2019 was 4,951m compared with 4,917m in Q3 2018 (an increase of 0.7%).

In millions*	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
WANS: Quarter	4,903	4,914	4,917	4,920	4,936	4,947	4,951
WANS: Cumulative - Year to date	4,903	4,909	4,911	4,914	4,936	4,942	4,945
Period end shares	4,913	4,915	4,919	4,923	4,947	4,948	4,952

**excludes treasury shares and shares held by ESOP trusts*

Dividend

In the Q2 2019 press release we made the following comments regarding the dividend:

"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."

Dividend per share (p)	Q1	Q2	Q3	Q4	Full Year
2017	19	19	19	23	80
2018	19	19	19	23	80
2019 - expected	19	19			80†

†*The actual dividend amount is determined by the Board of Directors.*

Factors impacting recent quarterly comparisons

As usual there were several events in Q3 2019 and during 2018 which impact the year on year comparisons for Q3 2019. This includes the following noteworthy items which you may wish to consider in your modelling.

Please note that the items listed below are not intended to be a complete list of all items that may impact the comparisons for Q3 2019 versus Q3 2018.

For further comments, please refer to quarterly press releases, presentations and transcripts. This includes slide 39 of the Q2 2019 Results presentation.
https://www.gsk.com/media/5668/q2-2019-results-slides.pdf

Pharmaceuticals

Pharmaceuticals (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Total turnover	**4,009**	**4,229**	**4,221**	**4,810**	**17,269**	**4,158**	**4,307**
Reported growth - CER	*+2%*	*+1%*	*+3%*	*+4%*	*+2%*	*+2%*	*-1%*
Adjusted operating profit	**1,329**	**1,492**	**1,361**	**1,562**	**5,744**	**1,238**	**1,256**
Reported growth - CER	*+0%*	*+7%*	*-2%*	*-6%*	*+0%*	*-8%*	*-19%*
Adjusted operating margin	33.2%	35.3%	32.2%	32.5%	33.3%	29.8%	29.2%

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding the Pharmaceuticals business:

"With the business trajectory for Pharma in line with our expectations, we continue to expect a slight decline in 2019."

Pharmaceuticals: Respiratory

Respiratory (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Anoro	97	120	115	144	476	102	128
Arnuity	11	10	10	13	44	7	14
Incruse	48	74	75	87	284	68	57
Relvar/Breo	219	279	258	333	1,089	215	238
Trelegy	11	26	42	77	156	87	120
Ellipta products	***386***	***509***	***500***	***654***	***2,049***	***479***	***557***
Nucala	104	141	145	173	563	152	195
Total Respiratory	**490**	**650**	**645**	**827**	**2,612**	**631**	**752**
CER growth							
Ellipta products	+34%	+26%	+35%	+33%	+32%	+20%	+6%
Nucala	+86%	>100%	+62%	+38%	+66%	+41%	+33%
Total Respiratory	**+42%**	**+37%**	**+40%**	**+34%**	**+38%**	**+25%**	**+12%**

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding Relvar/Breo:

"Relvar/Breo declined 16% globally, driven by a 43% decline in the US, reflecting the impact of generic Advair on pricing in the ICS/LABA class. We continue to have good growth expectations outside the US, demonstrated by the continued performance of the product which in the quarter grew 15% in Europe and 21% in International."

Pharmaceuticals: HIV

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding the HIV business:

"In HIV, the dolutegravir franchise, was flat in the quarter with the dynamics at a global level highlighting the competitive environment and the shift in the portfolio towards two-drug regimens with growth in Juluca and Dovato offsetting declines in Tivicay and Triumeq.

At a regional level, dolutegravir grew in Europe and International but declined 6% year on year in the US with market share holding flat in the quarter. Initial share trends for Dovato are encouraging with an NBRx share of 2.5% which is 50% higher than Juluca at the same point post launch, but as anticipated it will take several quarters to become an increasing contributor to growth as we accumulate more positive data."

HIV (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Tivicay	348	407	432	452	1,639	383	412
Triumeq	606	682	669	691	2,648	614	646
Juluca	10	24	37	62	133	70	84
Dovato	-	-	-	-	-	-	5
Dolutegravir products	***964***	***1,113***	***1,138***	***1,205***	***4,420***	***1,067***	***1,147***
Epzicom	37	26	24	30	117	19	22
Other HIV	47	50	47	41	185	35	40
HIV	**1,048**	**1,189**	**1,209**	**1,276**	**4,722**	**1,121**	**1,209**
CER growth							
Dolutegravir products	*+23%*	*+18%*	*+17%*	*+9%*	*+16%*	*+7%*	*+0%*
HIV	***+14%***	***+11%***	***+12%***	***+6%***	***+11%***	***+4%***	***-2%***

Pharmaceuticals: Oncology

Zejula sales ($m/ £m)	Q1	Q2	Q3	Q4	Year
*2018 ($m)**	*49*	*54*	*63*	*64***	*230*
2019 reported (£m)	42	57			
2019 incl sales prior to acquisition (£m)	56	57			

**Source: TESARO Quarterly reposts (Form 10-Q)*

*** Q4 2018 impacted by some adverse mix and some de-stocking*

Pharmaceuticals: Established Pharmaceuticals

From Q1 2019 we are reporting the Ellipta portfolio and Nucala within the Respiratory category and all other respiratory products, including Advair/Seretide under established products.

Established Pharmaceuticals (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Established Respiratory	1,085	1,046	1,021	1,164	4,316	1,083	913
Established other	1,286	1,230	1,224	1,407	5,147	1,159	1,225
Total turnover	**2,371**	**2,276**	**2,245**	**2,571**	**9,463**	**2,242**	**2,138**
CER growth							
Established Respiratory	-12%	-17%	-9%	-12%	*-13%*	*-2%*	-14%
Established other	*-5%*	*-5%*	*-9%*	*+1%*	*-4%*	*-9%*	*-1%*
Total turnover	***-8%***	***-11%***	***-9%***	***-5%***	***-8%***	***-6%***	***-7%***

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding Established Pharmaceuticals:

"Our Established Pharmaceuticals portfolio declined 7% overall driven by US Advair sales which were down 61%, as expected given the first full quarter of generic competition. This was offset by a welcome upside in Ventolin which continued to benefit in Q2 from the Authorised Generic launched in the US earlier in the year. We expect this performance to continue until we see substitutable generics enter the market which we anticipate in early 2020.

Outside Respiratory, the remainder of the established Pharma portfolio declined by 1% in the quarter, helped by some tenders and phasing of contract manufacturing while the decline of 5% over the first half of the year was more in line with our longer-term expectations for this part of our established products portfolio"

Seretide/Advair (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
US	229	260	309	299	1,097	176	105
Europe	166	151	132	150	599	133	129
International	171	179	178	198	726	177	178
Total	**566**	**590**	**619**	**647**	**2,422**	**486**	**412**
CER growth							
US	-25%	-43%	-19%	-31%	-30%	-27%	-61%
Europe	-21%	-17%	-20%	-20%	-20%	-19%	-15%
International	-12%	-2%	-2%	+2%	*-4%*	*+4%*	*-1%*
Total	***-20%***	***-28%***	***-15%***	***-20%***	***-21%***	***-15%***	***-31%***

Vaccines

Sales of vaccines are vulnerable to volatility on a quarterly basis – particularly in emerging markets. Since quarterly sales can be very lumpy due in part to the impact of large tenders as well as competitor outages we highlight in the table below the 2018 and 2019 quarterly results for the Vaccines business.

Vaccines (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Meningitis	180	184	329	188	881	209	235
Influenza	9	17	304	193	523	15	17
Shingrix	110	167	286	221	784	357	386
Established Vaccines	939	885	1,005	877	3,706	941	947
Total turnover	**1,238**	**1,253**	**1,924**	**1,479**	**5,894**	**1,522**	**1,585**
Adjusted operating profit	**339**	**357**	**827**	**420**	**1,943**	**614**	**612**
Adjusted operating margin	*27.4%*	*28.5%*	*43.0%*	*28.4%*	*33.0%*	*40.3%*	*38.6%*
CER growth							
Meningitis	*-2%*	*-3%*	*+15%*	*-9%*	*+2%*	*+18%*	*+26%*
Influenza	*-23%*	*-14%*	*-7%*	*+69%*	*+10%*	*+67%*	*+6%*
Shingrix	*n/a*	*n/a*	*n/a*	*n/a*	*>100%*	*>100%*	*>100%*
Established Vaccines	*+3%*	*+1%*	*-3%*	*-3%*	*+0%*	*-1%*	*+5%*
Total turnover	***+13%***	***+16%***	***+17%***	***+18%***	***+16%***	***+20%***	***+23%***
Adjusted operating profit	***+18%***	***+3%***	***+26%***	***+71%***	***+25%***	***+69%***	***+64%***

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding Shingrix and vaccines overall revenues:

"Q2 Shingrix revenue of £386 million was driven by continued strong uptake in the US, as well as good signs of uptake in Germany and Canada.

You will recall last year we estimated a dose range in the high teens of millions in the next two to three years. Our capacity expansion plans are progressing well. We continue to be successful in accelerating actions designed to increase our supply capacity and therefore are increasingly confident of achieving the upper end of the range we gave previously at the front end of the timeline.

As we have said before, we do not expect a significant step change in doses until we bring a new facility on line. The Q2 operating margin was driven by enhanced operating leverage, particularly from Shingrix in the US"

On the same call in response to a question, Emma Walmsley made the following additional comment regarding Shingrix:

"You will remember at Q1, we guided that we thought it would be roughly maintained at that run rate for the rest of the year, and, as part of the upgrade, we would expect that the second half would be more in line with the full first half this year.

There is a possibility of further progress beyond that, but we will update you on that at Q3."

Consumer Healthcare

Consumer Healthcare (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Turnover	**1,975**	**1,828**	**1,947**	**1,908**	**7,658**	**1,981**	**1,917**
CER growth	*+2%*	*+3%*	*+3%*	*+1%*	*+2%*	*+1%*	*+4%*
Adjusted operating profit	**384**	**352**	**429**	**352**	**1,517**	**430**	**391**
CER growth	*+18%*	*+13%*	*+16%*	*+14%*	*+15%*	*+12%*	*+8%*
Adjusted operating margin	*19.4%*	*19.3%*	*22.0%*	*18.4%*	*19.8%*	*21.7%*	*20.4%*

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding Consumer Healthcare revenues:

"Consumer had a good quarter with stronger growth as anticipated. Sales were up 4%, despite a drag of around 1% from the combined impact of divestments and the phasing out of low margin contract manufacturing.

We are pleased to see a good performance from our Power Brands driven by Sensodyne which grew 7% in the quarter and a strong performance in the US."

On 1 August, GSK completed the transaction with Pfizer to form a new world-leading Consumer Healthcare Joint Venture. Below for reference are the quarterly sales for the Pfizer business as reported and consolidated by Pfizer (in US$) from Q1 2017 to date:

Pfizer Consumer Healthcare Turnover ($m)	Q1	Q2	Q3	Q4	FY
2017	848	846	829	950	3,472
2018	905	886	839	974	3,605
2019	858	862			
CER growth					
2017	*+3%*	*+2%*	*+4%*	*-2%*	*+2%*
2018	*+4%*	*+2%*	*+2%*	*+5%*	*+3%*
2019	*-2%*	*+1%*			

Corporate and other unallocated costs

Adjusted corporate and other unallocated operating profit (costs) (£m)	Q1	Q2	Q3	Q4	Full Year
2017	(153)	(83)	(48)	(92)	(376)
2018	(129)	(99)	(93)	(138)	(459)
2019	(119)	(88)			

Operating and financial performance

Operating performance

Expected costs and savings under Major Restructuring Programmes

In our Q4 2018 results presentation we included the table below.

Annual savings: (£bn)*	2018 actuals	2019 projected	2020 projected	2021 projected	2022 projected
Integration & Restructuring Programme					
Savings**	3.9	4.2	4.4		
Total charges	0.4	0.4	0.1		
Cash payments	0.5	0.3	0.2		
2018 Restructuring Programme					
Savings**		0.2	0.3	0.4	
Total charges	0.4	0.9	0.3	0.1	
Cash payments	0.0	0.4	0.2	0.1	0.1
Consumer Joint Venture					
Synergies**			0.2	0.4	0.5
Total charges		0.3	0.6	0.2	0.1
Cash payments		0.2	0.4	0.2	0.1

**All expectations and targets regarding future performance should be read together with the "Outlook assumptions and cautionary statement" sections of the Full Year and Q4 2018 Results Announcement dated 6th February 2019 and the cautionary statement slide included with this presentation*

***Savings and synergies shown are cumulative for the programme to date*

Operating costs: SG&A and R&D

On slide 39 of the Q2 results presentation we highlighted the impact on 2019 from the addition of the Tesaro cost base, and that R&D spend would pick up significantly.

Selling, General and Administration

Adjusted SG&A costs (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
SG&A	2,286	2,334	2,313	2,529	9,642	2,397	2,433
Reported growth - CER	**+2%**	**+6%**	**+4%**	**+3%**	**+4%**	**+4%**	**+2%**

Research and development

Adjusted R&D costs (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
R&D	887	868	961	1,019	3,735	971	1,040
Reported growth - CER	**+2%**	**-15%***	**+8%**	**-1%**	**-2%***	**+6%**	**+16%**

**R&D in Q2 2017 includes £106m cost of the Priority Review Voucher.*

Royalty income

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2017	82	98	107	69	356
2018	53	73	94	79	299
2019 outlook	73	78			Broadly similar to 2018

Divisional operating margins

Adjusted operating margin (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
Pharma	33.2%	35.3%	32.2%	32.5%	33.3%	29.8%	29.2%
Vaccines	*27.4%*	*28.5%*	*43.0%*	*28.4%*	*33.0%*	*40.3%*	*38.6%*
Consumer Healthcare	*19.4%*	*19.3%*	*22.0%*	*18.4%*	*19.8%*	*21.7%*	*20.4%*
Group	**26.6%**	**28.8%**	**31.2%**	**26.8%**	**28.4%**	**28.2%**	**27.8%**

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding divisional adjusted operating margins

Pharmaceuticals: *"we saw a decline in the quarter, mainly driven by: an unfavourable product mix, due to the impact of generic Advair; Tesaro dilution which in line with previous guidance we expect to have a sustained impact over the balance of 2019; Pharma R&D spend which increased 21% reflecting our investment behind priority assets."*

Vaccines: *"With the margin where we have it right now, in the high 30s, that is informed by an effect in the first quarter and an inventory adjustment which we mentioned and also you will have seen that both SG&A and R&D are fairly tightly controlled with in that business.*

As we move forward we probably see a step up to some degree in SG&A to support as we gradually move to expand market launches for Shingrix in the longer term and then also from an R&D perspective as Hal had mentioned earlier, there are couple of interesting priority assets coming through vaccines where the step up in R&D to support that development are key features.

In terms of the medium term, from an operating margin perspective we very much see that margin for vaccines in the mid 30s, notwithstanding the very good performance we have seen on higher volumes and good cost control coming through the first half of the year."

Consumer: *"Operating margin in Q2 was 20.4%, slightly lower than last quarter as expected reflecting seasonal factors as well as the investment in the business in order to drive innovation and stronger growth."*

Financial performance

Net finance expense

Adjusted net finance costs (£m)	Q1	Q2	Q3	Q4	Full Year
2017	(169)	(176)	(177)	(135)*	(657)
2018	(139)**	(165)	(221)***	(173)	(698)
2018 – restated for IFRS16	*(146)*	*(172)*	*(229)*	*(181)*	*(728)*
2019 outlook	(187)	(220)			Around £900m

** includes £23m credits for interest on tax resulting from a number of settlements during the year*

*** includes the benefit of a one-off accounting adjustment to the amortisation of long-term bond interest charges of £20 million*

****includes additional interest of £23 million on a historic tax settlement*

Associates and joint ventures

Adjusted associates and joint ventures (£m)	Q1	Q2	Q3	Q4	Full Year
2017	5	(1)	7	2	13
2018	9	2	15	5	31
2019	57*	(4)			

** includes one-time benefit of £51 million, reflecting our increased share of after-tax profits of Innoviva, as a result of a non-recurring tax benefit*

Taxation

Adjusted tax rate (%)	Q1	Q2	Q3	Q4	Full Year
2017	22.0%	21.2%	21.0%	20.0%	21.0%
2018	20.2%	20.0%	18.6%	17.5%	19.0%
2019 outlook	19.7%	15.4%			Around 19%

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding the tax rate:

"The timing of the settlement of a number of open issues with tax authorities benefitted the tax rate during the quarter and drove a 2% benefit to the Earnings Per Share growth in the first half of the year, while we continue to expect a tax rate of around 19% for the full year."

Profit / (loss) attributable to non-controlling interests (minority interests)

Adjusted profit/(loss) attributable to non-controlling interests (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019
ViiV	111	135	125	130	501	123	127
Novartis Consumer Healthcare	102	16	0	0	118	-	-
Pfizer Consumer Healthcare	-	-	-	-	-	-	-
Other	11	19	16	9	55	26	11
Total	**224**	**170**	**141**	**139**	**674**	**149**	**138**

Balance Sheet and Cashflow

Free cash flow

Free cash flow* (£m)	Q1	Q2	H1	Q3	9M	Q4	FY
2017 – revised	650	(264)	386	1,282	1,668	1,817	3,485
2018	329	492	821	1,554	2,375	3,317	5,692
2019	165	370	*535*				

**With the introduction of the new R&D strategy in Q2 2018, GSK has revised its definition of free cash flow, a non-IFRS measure, to include proceeds from the sale of intangible assets.*

On the Q2 2019 results analyst/investor call Iain Mackay made the following comments regarding cashflow:

"On free cash flow, we remain focused on driving greater cash discipline across the group and generated £535 million of free cash flow in the first half of the year, very much in line with our expectations.

This was impacted by the upfront payment of €300 million to Merck KGaA, the launch of generic Advair and the related phasing of rebates, offset partly by improved operating profits and working capital management.

As previously noted, and seen in prior years, the generation of cash flows is expected to be weighted to the second half of the year."

Net debt

Net debt (£m)	31 Mar	30 Jun	30 Sep	31 Dec
2017	13,743	14,800	14,209	13,178
2018	13,377	23,935	23,837	21,621
IFRS 16 adoption impact				1,303
Net debt at 1 Jan 2019 after adoption of IFRS 16				22,924
2019	27,058	28,721		

In the Q2 2019 press release we made the following comments:

"At 30 June 2019, net debt was £28.7 billion, compared with £21.6 billion at 31 December 2018, comprising gross debt of £33.4 billion and cash and liquid investments of £4.7 billion, including £0.5 billion reported within Assets held for sale. Net debt increased due to the £3.9 billion acquisition of Tesaro Inc as well as £0.2 billion of Tesaro net debt, together with the £1.3 billion impact from the implementation of IFRS 16, the dividend paid to shareholders of £2.1 billion and £0.1 billion of unfavourable exchange impacts from the translation of non-Sterling denominated debt, partly offset by £0.5 billion free cash flow.

At 30 June 2019, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £10.1 billion with loans of £2.6 billion repayable in the subsequent year."

Contingent consideration

Contingent consideration (£m)	31 Dec 2017	31 Mar 2018	30 June 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 June 2019
Shionogi – relating to ViiV Healthcare	5,542	5,314	5,879	5,885	5,937	5,658	5,664
Novartis – relating to Vaccines acquisition	584	251	243	296	296	292	300
Other	46	45	48	51	53	50	64
Total	**6,172**	**5,610**	**6,170**	**6,232**	**6,286**	**6,000**	**6,028**

In the Q2 2019 press release we made the following comments:

"Contingent consideration amounted to £6,028 million at 30 June 2019 (31 December 2018: £6,286 million), of which £5,664 million (31 December 2018: £5,937 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £300 million (31 December 2018: £296 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition.

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 30 June 2019, £784 million (31 December 2018: £815 million) is expected to be paid within one year."

Historic London Stock Exchange announcements (LSE announcements) and press releases

Since the beginning of Q3 2019 we have issued several LSE announcements and press releases, each of which can be accessed using the following links:
https://www.gsk.com/en-gb/media/press-releases/
https://us.gsk.com/en-us/media/press-releases/
https://us.gsk.com/en-us/products/
https://www.gsk.com/en-gb/investors/stock-exchange-announcements/london-rns/

Acquisitions and divestments

GSK completes transaction with Pfizer to form new world-leading Consumer Healthcare Joint Venture
https://www.gsk.com/en-gb/media/press-releases/gsk-completes-transaction-with-pfizer-to-form-new-world-leading-consumer-healthcare-joint-venture/
(LSE announcement 01 August 2019)

News flow on key assets during the quarter and to date

Nucala significantly reduces exacerbations in first global prospective real-world study of a biologic in severe eosinophilic asthma
Results from interim analysis of REALITI-A study presented at ERS conference
https://www.gsk.com/en-gb/media/press-releases/nucala-significantly-reduces-exacerbations-in-first-global-prospective-real-world-study-of-a-biologic-in-severe-eosinophilic-asthma/
(Press release 30 September 2019)

Phase 3 PRIMA trial of Zejula® (niraparib) is the first study to show a PARP inhibitor significantly improves PFS, regardless of biomarker status, when given as monotherapy in women with first-line platinum responsive advanced ovarian cancer

- **The PRIMA study, presented in a Presidential Symposium at the 2019 European Society for Medical Oncology congress and simultaneously published in The New England Journal of Medicine, demonstrates that niraparib treatment resulted in a 38% reduction in the risk of disease progression or death in the overall study population when compared to placebo**
- **Importantly women in both the HR-deficient ('HRD positive') and HR-proficient ('HRD negative') subgroups experienced a clinically meaningful and statistically significant benefit**

https://www.gsk.com/en-gb/media/press-releases/phase-3-prima-trial-of-zejula-niraparib-is-the-first-study-to-show-a-parp-inhibitor-significantly-improves-pfs-regardless-of-biomarker-status/
(LSE announcement 28 September 2019)

GSK presents new data showing promising anti-tumour activity with GSK3359609, an ICOS receptor agonist, in combination with pembrolizumab in head and neck squamous cell carcinoma (HNSCC)

- **Data presented at ESMO 2019 support initiation of phase II/III registrational trial with pembrolizumab in first-line recurrent/metastatic HNSCC**

https://www.gsk.com/en-gb/media/press-releases/gsk-presents-new-data-showing-promising-anti-tumour-activity-with-gsk3359609-an-icos-receptor-agonist-in-combination-with-pembrolizumab-in-head-and-neck-squamous-cell-carcinoma-hnscc/

(LSE announcement 28 September 2019)

Real-world effectiveness evidence among GSK data presented at ERS 2019

- Scientific and clinical advances showcased through 36 abstracts

https://www.gsk.com/en-gb/media/press-releases/real-world-effectiveness-evidence-among-gsk-data-presented-at-ers-2019/

(Press release 23 September 2019)

GSK receives positive CHMP opinion for intravenous Benlysta in children with lupus aged five years and above

https://www.gsk.com/en-gb/media/press-releases/gsk-receives-positive-chmp-opinion-for-intravenous-benlysta-in-children-with-lupus-aged-five-years-and-above/

(Press release 20 September 2019)

Nucala is the first biologic approved in the US for six to 11-year-old children with severe eosinophilic asthma

https://www.gsk.com/en-gb/media/press-releases/nucala-is-the-first-biologic-approved-in-the-us-for-six-to-11-year-old-children-with-severe-eosinophilic-asthma/

(Press release 12 September 2019)

GSK to present data from its innovative oncology portfolio at ESMO Congress 2019

- **Presentations across nine tumour types demonstrates significant progress in accelerating GSK's oncology pipeline**
- **Full results from the pivotal PRIMA study of Zejula (niraparib) in ovarian cancer to be presented in a Presidential Symposium**
- **New data from the INDUCE-1 study of GSK '609 – an ICOS receptor agonist in head and neck squamous cell carcinoma**

https://us.gsk.com/en-us/media/press-releases/gsk-to-present-data-from-its-innovative-oncology-portfolio-at-esmo-congress-2019/

(Press release 10 September 2019)

GSK announces positive headline results from the pivotal DREAMM-2 study for multiple myeloma Belantamab mafodotin (GSK2857916) on track for regulatory submission by the end of 2019

https://www.gsk.com/en-gb/media/press-releases/gsk-announces-positive-headline-results-from-the-pivotal-dreamm-2-study-for-multiple-myeloma/

(LSE announcement 23 August 2019)

ViiV Healthcare reports positive phase III study results of investigational, long-acting, injectable HIV-treatment regimen administered every two months

- **ATLAS-2M study met its primary endpoint, showing similar efficacy of cabotegravir and rilpivirine administered every eight weeks compared to four-week administration.**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-reports-positive-phase-iii-study-results-of-investigational-long-acting-injectable-hiv-treatment-regimen-administered-every-two-months/

(LSE announcement 22 August 2019)

GSK grants exclusive technology license for clinical-stage Ebola vaccines to Sabin Vaccine Institute

- **Transfer from GSK and partnership with NIAID will enable Sabin to advance development of the candidate vaccines**

https://www.gsk.com/en-gb/media/press-releases/gsk-grants-exclusive-technology-license-for-clinical-stage-ebola-vaccines-to-sabin-vaccine-institute/

(Press release 06 August 2019)

Nucala receives EU approval for self-administration by patients with severe eosinophilic asthma 96% of patients in studies preferred self-administration at home over being treated in clinic

https://www.gsk.com/en-gb/media/press-releases/nucala-receives-eu-approval-for-self-administration-by-patients-with-severe-eosinophilic-asthma/

(LSE announcement 01 August 2019)

ViiV Healthcare submits regulatory application to European Medicines Agency for investigational cabotegravir to be used in combination with rilpivirine as the first monthly, injectable treatment for HIV

- **The marketing application is based on phase III ATLAS and FLAIR pivotal trials in which the once-monthly, injectable treatment regimen showed similar efficacy and safety to daily, 3-drug oral treatment.**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-submits-regulatory-application-to-european-medicines-agency-for-investigational-cabotegravir-to-be-used-in-combination-with-rilpivirine/

(LSE announcement 29 July 2019)

ViiV Healthcare presents GEMINI 1 & 2 studies through Week 96 showing 2-drug regimen of dolutegravir plus lamivudine continues to demonstrate high efficacy rates and no cases of treatment emergent resistance

https://us.gsk.com/en-us/media/press-releases/viiv-healthcare-presents-gemini-1-2-studies-through-week-96-showing-2-drug-regimen-of-dolutegravir-plus-lamivudine-continues-to-demonstrate-high-efficacy-rates/

(LSE announcement 24 July 2019)

ViiV Healthcare announces positive Week 48 results in first study to evaluate treatment switch from TAF-containing regimen with three or more drugs to 2-drug regimen of dolutegravir/lamivudine for HIV-1 infection

- **Data from the TANGO study presented at the 10th International AIDS Society Conference on HIV Science (IAS 2019) demonstrate non-inferior efficacy of Dovato (dolutegravir/lamivudine) in virally suppressed adults with HIV-1 infection**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-positive-week-48-results-in-first-study-to-evaluate-treatment-switch-from-taf-containing-regimen/
(LSE announcement 24 July 2019)

ViiV Healthcare presents positive 96-week data from phase III study of investigational fostemsavir in heavily treatment-experienced patients with HIV at IAS 2019

- **Week 96 data from the BRIGHTE study of first-in-class fostemsavir continue to show improvement in virologic suppression and immunologic response**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-presents-positive-96-week-data-from-phase-iii-study-of-investigational-fostemsavir-in-heavily-treatment-experienced-patients-with-hiv-at-ias-2019/
(LSE announcement 22 July 2019)

GSK announces positive headline results in Phase 3 PRIMA study of ZEJULA (niraparib) for patients with ovarian cancer in the first line maintenance setting

- **Niraparib demonstrates significant improvement in progression free survival for women regardless of their biomarker status**

https://www.gsk.com/en-gb/media/press-releases/gsk-announces-positive-headline-results-in-phase-3-prima-study-of-zejula-niraparib-for-patients-with-ovarian-cancer-in-the-first-line-maintenance-setting/
(Press release 15 July 2019)

GSK ships 2019-20 seasonal influenza vaccines for US market

- **Company to deliver more than 40 million doses**

https://us.gsk.com/en-us/media/press-releases/gsk-ships-2019-20-seasonal-influenza-vaccines-for-us-market/
(Press release 15 July 2019)

ViiV Healthcare announces phase III study meets primary endpoint, demonstrating the ability to control HIV-1 with a 2-drug regimen of dolutegravir plus lamivudine in virally suppressed patients switching from a TAF-containing, 3-drug regimen

- **Week 48 results from the TANGO study will be presented this month at 10th International AIDS Society Conference on HIV Science (IAS 2019).**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-phase-iii-study-meets-primary-endpoint/
(LSE announcement 10 July 2019)

ViiV Healthcare announces start of first-ever study to identify and evaluate approaches to implementing its once-monthly injectable HIV treatment in clinical practice

- **The long-acting injectable regimen has been granted Priority Review status by the FDA, with a target approval date set for December 29, 2019**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-start-of-first-ever-study-to-identify-and-evaluate-approaches-to-implementing-its-once-monthly-injectable-hiv-treatment-in-clinical-practice/
(Press release 08 July 2019)

GSK announces phase III start for its anti GM-CSF antibody, otilimab, in patients with rheumatoid arthritis (RA)

- **First phase III programme in RA to include head-to-head comparisons with current treatments across all pivotal studies in a broad range of difficult-to-treat RA patients.**

https://www.gsk.com/en-gb/media/press-releases/gsk-announces-phase-iii-start-for-its-anti-gm-csf-antibody-otilimab-in-patients-with-rheumatoid-arthritis-ra/
(Press release 03 July 2019)

ViiV Healthcare receives EU Marketing Authorisation for Dovato (dolutegravir/lamivudine), a new once-daily, single-pill, two-drug regimen for the treatment of HIV-1 infection

- **Authorisation based on GEMINI pivotal trials in which Dovato achieved non-inferior efficacy compared to a dolutegravir-based, three-drug regimen through 48 weeks, with no cases of resistance.**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-receives-eu-marketing-authorisation-for-dovato-dolutegravirlamivudine-a-new-once-daily-single-pill-two-drug-regimen-for-the-treatment-of-hiv-1-infection/
(LSE announcement 03 July 2019)

Other news flow during the quarter and to date

GSK announces leadership changes in the US
https://www.gsk.com/en-gb/media/press-releases/gsk-announces-leadership-changes-in-the-us/
(Press release 12 August 2019)

GlaxoSmithKline plc appoints Jonathan Symonds as Non-Executive Chairman of the Board of Directors
https://www.gsk.com/en-gb/media/press-releases/glaxosmithkline-plc-appoints-jonathan-symonds-as-non-executive-chairman-of-the-board-of-directors/
(LSE announcement 24 July 2019)

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. All commentaries are presented in terms of CER growth, unless otherwise stated.

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