Pre-Quarterly Results Communication Q1 2021

Issued: Friday 9th April 2021

This Q1 2021 Pre-Quarterly Results Communication has been prepared by GSK in accordance with our standard prior practice. This Communication includes statements made previously by GSK in communications such as our Q4 2020 press release dated 03 February 2021, and our related Q4 2020 results presentation and Q4 2020 results analyst/investor call on that date. These statements are extracted from their original source and therefore, by definition, do not reflect subsequent or recent events, circumstances or developments, including divestments and the impact of the coronavirus outbreak since such statements were made (see the "Historic London Stock Exchange announcements (LSE announcements) and press releases" section of this Communication).

Any updates to these and other previously made statements would only be included in further communications by GSK to the market in our Q1 2021 release or otherwise. Accordingly, the extracted statements should only be taken as speaking as at the date they were originally made, and the inclusion of the extracted statements herein should not be taken as an indication that they will not be updated in the future.

As our Q4 2020 results announcement indicated, the potential impact of the ongoing COVID-19 pandemic on GSK's trading performance and all our Principal risks has been assessed with mitigation plans put in place. The pandemic, as anticipated, impacted the Group performance during 2020 primarily in demand for Vaccines as a result of containment measures impacting customers' ability and willingness to access vaccination services across all regions. We continue to monitor the situation closely, as this is clearly a very dynamic and uncertain situation, with the ultimate severity, duration and impact unknown at this point including the potential impacts on trading results, our clinical trials, our supply continuity and our employees. The situation could change at any time and there can be no assurance that COVID-19 will not have a material adverse impact on the future results of the Group.

Please read the cautionary statements regarding forward-looking statements set out on pages 64 and 65 of the Q4 2020 results press release and on the further reports, announcements, press releases issued by the Company. Please also read the definitions and reconciliations for non-IFRS measures on page 63 of the Q4 2020 results press release.

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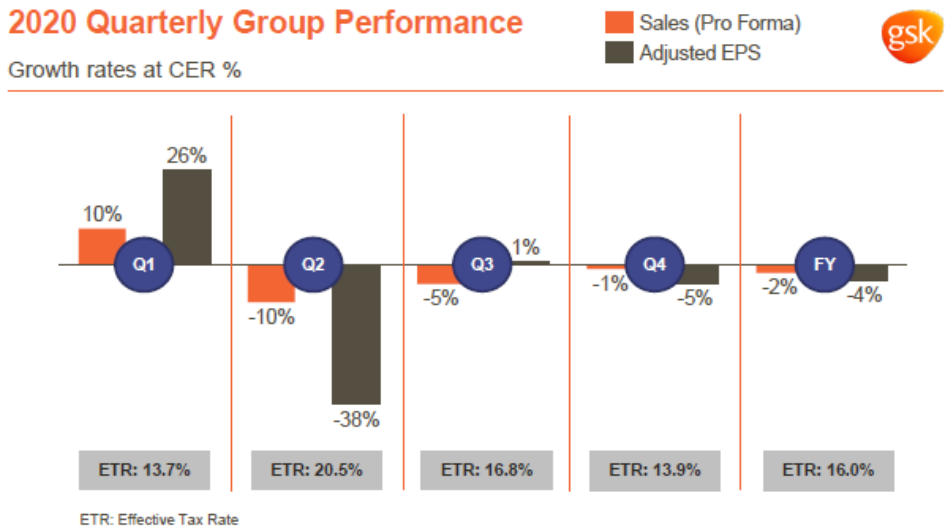
Historic commentary and key information

Foreign exchange: We expect that the negative impact of foreign exchange on Q1 2021 sales will be around -3% to -4%.

Outlook commentary from Q4 2020: Across the three businesses, it's worth noting that comparisons to the prior year will be influenced by stocking patterns experienced in 2020, notably in 1Q when turnover grew 10% proforma, and adjusted EPS was up 26% in the prior year. This volatility in comparisons is amplified in Consumer, with a weak cough and cold season continuing into the start of 2021.



Shingrix commentary from Q4 2020: In the near term, however, we expect to contend with some further disruption in the US. The resurgence of the pandemic is already resulting in double-digit reductions in well visits in January, which is impacting our Vaccines business more broadly. In addition, the prioritisation of vaccine resources towards COVID-19 immunisation is likely to have a significant impact on older adult vaccination, including Shingrix, especially given the recommended 14-day window either side of mRNA vaccine shots.

COVID immunisation progress in the US is tracked by the Centers for Disease Control and Prevention (CDC). For US COVID vaccine demographics including adoption by age you can visit: https://covid.cdc.gov/covid-data-tracker/#vaccination-demographic

Commentary from Q1 2020 analyst/ investor call

This quarter, we saw our turnover growth impacted by the COVID-19 pandemic in various areas across our businesses:

- In **Pharma** we saw a turnover growth of 6%, approximately half to two-thirds of which was related to pull-forward and stocking patterns, primarily in Respiratory in Europe and International, and HIV in the US.

- In **HIV**, revenues were up 8%, with the dolutegravir franchise up 9% globally. Excluding the impact of customer-stocking, we estimate that sales were flat, year-on-year, in line with our previously stated expectations.
- **Relvar/Breo** grew 32% globally, benefitting from a prior period RAR adjustment in the US

- In **Vaccines**, where we've seen some adverse changes to prescription trends in the last two weeks, we did not see any material financial impact in the first quarter.
  - **Shingrix** continues to benefit from our actions to increase our supply capacity, with revenues in Q1 of £647 million, driven by a continued strong uptake in the US, as well as a benefit from a one-off RAR adjustment.
- In **Consumer**, turnover grew 11% pro forma, 14% excluding the impact of brands that are under review or being divested, again around two-thirds of which is related to increased COVID-19 demand, particularly in the US.

New information for Q1 2021

Foreign exchange

On the basis of the rates in the table below, it is expected that the negative impact of foreign exchange on Q1 2021 sales will be around -3% to -4%.
As a result of the mix of currency movements relative to the mix of costs, we expect that the negative impact of foreign exchange on Q1 2021 sterling Adjusted EPS will be greater than the negative impact on sales.

Average rates Quarterly	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Key currencies					
US$	1.29	1.25	1.30	1.33	1.38
€	1.17	1.13	1.11	1.11	1.14
Yen	140	134	138	138	146
Other currencies					
Australian dollar	1.96	1.87	1.83	1.81	1.79
Brazilian real	5.77	6.54	7.04	7.18	7.55
Canadian dollar	1.74	1.71	1.74	1.73	1.75
Chinese yuan	9.02	8.81	9.00	8.81	8.94
Indian rupee	93.6	93.4	96.5	98.1	100.8
Russian rouble	87.2	88.5	97.7	101.3	103.5
FX impact on turnover	***+0%***	***+1%***	***-5%***	**-1%**	***-3% to -4%***
FX impact on adjusted EPS	***-1%***	***+1%***	***-9%***	**-1%**	***n/a***

Average rates Cumulative - YTD	3M 2020	6M 2020	9M 2020	12M 2020	3M 2021
Key currencies					
US$	1.29	1.27	1.28	1.29	1.38
€	1.17	1.15	1.13	1.13	1.14
Yen	140	137	137	137	146
Other currencies					
Australian dollar	1.96	1.92	1.89	1.87	1.79
Brazilian real	5.77	6.15	6.45	6.63	7.55
Canadian dollar	1.74	1.72	1.73	1.73	1.75
Chinese yuan	9.02	8.91	8.94	8.91	8.94
Indian rupee	93.6	93.5	94.5	95.4	100.8
Russian rouble	87.2	87.8	91.1	93.7	103.5
FX impact on turnover	***+0%***	***+0%***	***-2%***	***-2%***	***-3% to -4%***
FX impact on adjusted EPS	***-1%***	***+0%***	***-3%***	***-2%***	***n/a***

Period end rates	Dec 2019	Mar 2020	June 2020	Sep 2020	Dec 2020	Mar 2021
Key currencies						
US$	1.32	1.24	1.23	1.28	1.36	1.38
€	1.18	1.13	1.10	1.10	1.11	1.17
Yen	143	134	132	136	141	152

Foreign exchange: Ready reckoner

In the 2020 FY results presentation on 3 February 2021, the following ready reckoner was provided on slide 45 to help estimate the expected impact of foreign exchange movements on adjusted EPS*:

Currency	Impact on 2021 full year adjusted EPS
US dollar	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-6.0%
Euro	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-1.0%
Japanese yen	10 yen movement in average exchange rate for full year impacts EPS by approximately +/-1.5%

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

The slide also included 2020 currency sales exposure for GSK:

Currency	2020 currency sales exposure
US dollar	43%
Euro	19%
Japanese yen	6%
Other‡	32%

‡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 2020

Basic weighted average number of shares (WANS)

In millions*	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
WANS: Quarter	4,953	4,965	4,977	4,980	4,981	4,993
YoY change	*+0.7%*	*+0.6%*	*+0.6%*	*+0.6%*	*+0.6%*	*+0.6%*
WANS: Cumulative - Year to date	4,947	4,965	4,971	4,974	4,976	4,993
YoY change	*+0.7%*	*+0.6%*	*+0.6%*	*+0.6%*	+0.6%	+0.6%
Period end shares	4,954	4,977	4,978	4,980	4,981	5,004

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

Dividend

In the Q4 2020 press release we made the following comments regarding the dividend:

"The Board currently intends to maintain the dividend for 2021 at the current level of 80p per share, subject to any material change in the external environment or performance expectations

At our Biopharma investor update in June we plan to set out in detail the growth prospects and financial outlook for the new Biopharma company over the medium term, including a detailed review of the pipeline we have been building over recent years. Alongside these we will provide details of a new distribution policy which reflects the optimised capital structure and investment priorities focused on delivering sustainable long-term shareholder value. We anticipate that this new policy will deliver competitive and attractive returns informed by appropriate earnings pay-out ratios through the investment cycle well covered by Free Cash Flow and, importantly, expected growth potential. We expect that aggregate distributions for GSK will be lower than at present. This new policy will be implemented for dividends paid in respect of 2022.".

Dividend per share (p)	Q1	Q2	Q3	Q4	Full Year
2019	19	19	19	23	80
2020	19	19	19	23	80
2021 - expected					80†

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

Factors impacting recent quarterly comparisons

As usual there were several events in 2021 and during 2020 which impact the year on year comparisons for Q1 2021. 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 Q1 2021 versus Q1 2020.

For further comments, please refer to quarterly press releases, presentations and transcripts. Quarterly results | GSK. In particular, please also refer to slide 44 of the Q4 2020 Results presentation.

Pharmaceuticals

Pharmaceuticals (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Total turnover	**17,554**	**4,396**	**4,102**	**4,192**	**4,366**	**17,056**
Reported growth - CER	*+0%*	*+6%*	*-5%*	*-3%*	*-3%*	*-1%*
Adjusted operating profit	**4,595**	**1,183**	**976**	**1,175**	**851**	**4,185**
Reported growth - CER	*-22%*	*-5%*	*-23%*	*+16%*	*-16%*	*-7%*
Adjusted operating margin	26.2%	26.9%	23.8%	28.0%	19.5%	24.5%

Commentary from Q1 2020 Press release: *"Towards the end of the quarter, additional demand and customer stock building in Europe and the US related to the COVID-19 pandemic had a positive impact on the growth of HIV and Respiratory products"*

Commentary by Iain Mackay from Q1 2020 results analyst/investor call: *"In Pharma we saw a turnover growth of 6%, approximately half to two-thirds of which was related to pull-forward and stocking patterns, primarily in Respiratory in Europe and International, and HIV in the US."*

Commentary by Iain Mackay from Q4 2020 results analyst/investor call: *"For the full year, we expect flat to low single-digit percentage growth in Pharma revenues excluding divestments, which will be a balance of continued strong momentum from our New and Specialty medicines, largely offset by decreasing revenues in established pharma"*

Pharmaceuticals: Respiratory

Respiratory (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Anoro	514	117	139	140	151	547
Trelegy	518	193	194	194	238	819
Nucala	768	210	241	251	292	994
Total Respiratory	**1,800**	**520**	**574**	**585**	**681**	**2,360**
CER growth						
Anoro		+16%	+6%	+3%	+8%	+8%
Trelegy		>100%	+58%	+45%	+40%	+59%
Nucala		+38%	+21%	+29%	+34%	+30%
Total Respiratory		**+52%**	**+27%**	**+26%**	**+29%**	**+32%**

Pharmaceuticals: HIV

HIV (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Tivicay	1,662	412	373	377	365	1,527
Triumeq	2,549	563	586	577	580	2,306
Juluca	366	120	113	123	139	495
Dovato	56	66	68	99	141	374
Dolutegravir products	***4,633***	***1,161***	***1,140***	***1,176***	***1,225***	***4,702***
Rukobia	-	-	-	3	8	11
Other HIV	221	46	45	37	35	163
HIV	**4,854**	**1,207**	**1,185**	**1,216**	**1,268**	**4,876**
CER growth						
Dolutegravir products	*+2%*	*+9%*	*-2%*	*+1%*	*+2%*	*+2%*
HIV	***+1%***	***+8%***	***-3%***	***+0%***	***+2%***	***+1%***

Commentary by Iain Mackay from Q1 2020 results analyst/investor call: *"In HIV, revenues were up 8%, with the dolutegravir franchise up 9% globally. Excluding the impact of customer-stocking, we estimate that sales were flat, year-on-year, in line with our previously stated expectations."*

Commentary by David Redfern from Q4 2020 results analyst/investor call: *"In summary, we are very confident in the outlook for ViiV. We expect a progressive acceleration in growth, underpinned by the continued expansion of the two-drug regimens, noticeably Dovato and the launch of Cabenuva and, in due course, cabotegravir in the PrEP setting."*

Pharmaceuticals: Oncology

Oncology (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Zejula	229*	81	77	92	89	339
Blenrep	-	-	-	8	25	33
Oncology	**229**	**81**	**77**	**99**	**115**	**372**

** Zejula sales £243m in 2019 including sales prior to acquisition of TESARO (22 January 2019)*

Commentary on Zejula and Blenrep by Luke Miels on Q4 2020 results analyst/investor call:

Zejula: *"In the short-term though, we need to navigate the impact of COVID lockdowns which continue to materially disrupt debulking surgery and treatment rates"*

Blenrep: *"I will now turn to Blenrep which we launched in the second half of 2020 to heavily pre-treated multiple myeloma patients in the US and Germany. It is still early days, but we are pleased with the solid demand we have seen which reflects the high unmet need in later lines of disease. Response from physicians, patients and advocacy groups has continued to be excellent, based on the potent efficacy of the drug in the approved setting and on positive clinical updates in other settings, such as we saw at ASH. To date, more than 1100 ACPs and 700 patients have enrolled in our US REMS programme. We are supporting the launch with a highly experienced salesforce and our share of voice is almost at the level of Darzalex."*

Pharmaceuticals: Established Pharmaceuticals

Established Pharmaceuticals (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Established Respiratory	5,181	1,316	1,114	1,118	1,092	4,640
Established other	4,876	1,121	975	981	1,004	4,081
Total turnover	**10,057**	**2,437**	**2,089**	**2,099**	**2,096**	**8,721**
CER growth						
Established Respiratory	-	*-4%*	*-9%*	*-6%*	*-17%*	*-9%*
Established other	-	*-2%*	*-20%*	*-19%*	*-16%*	*-14%*
Total turnover	**-**	***-3%***	***-15%***	***-13%***	***-16%***	***-12%***

From the first quarter of 2021 the reporting of Relvar/Breo Ellipta along with the smaller Incruse Ellipta and Arnuity Ellipta product sales will be reported under "Established Respiratory"

On slide 44 of the Q4 2020 Full year results analyst/investor presentation we gave the following 2021 outlook commentary: *"Mid to high-single digit decline for Established Pharma"*

Commentary from Q1 2020 Press release and analyst/investor presentation:

- Breo/ Relvar: In the US, Relvar/Breo grew 47% AER, 45% CER, benefiting from a prior period RAR adjustment.
- Ventolin: We saw some incremental demand as a result of COVID-19.

Vaccines

Vaccines (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Meningitis	1,018	225	167	363	274	1,029
Influenza	541	21	15	445	252	733
Shingrix	1,810	647	323	374	645	1,989
Established Vaccines	3,788	912	628	850	841	3,231
Total turnover	**7,157**	**1,805**	**1,133**	**2,032**	**2,012**	**6,982**
Adjusted operating profit	**2,966**	**858**	**265**	**899**	**691**	**2,713**
Adjusted operating margin	*41.4%*	*47.5%*	*23.4%*	*44.2%*	*34.3%*	*38.9%*
CER growth						
Meningitis	*+15%*	*+11%*	*-29%*	*+1%*	*+36%*	*+3%*
Influenza	*+1%*	*+53%*	*-6%*	*+21%*	*+85%*	*+37%*
Shingrix	*>100%*	*+79%*	*-19%*	*-25%*	*+23%*	*+11%*
Established Vaccines	*+1%*	*-3%*	*-34%*	*-15%*	*-3%*	*-14%*
Total turnover	***+19%***	***+19%***	***-29%***	***-9%***	***+16%***	***-1%***
Adjusted operating profit	***+46%***	***+39%***	***-58%***	***-18%***	***+26%***	***-6%***

Commentary by Iain Mackay from Q1 2020 results analyst/investor call:

"Shingrix continues to benefit from our actions to increase our supply capacity, with revenues in Q1 of £647 million, driven by a continued strong uptake in the US, as well as a benefit from a one-off RAR adjustment."

Commentary by Iain Mackay from Q4 2020 results analyst/investor call:

"*In Vaccines the 2021 in-year COVID-19 impact on our portfolio is uncertain, the pace of mass vaccination programmes being a key factor, notably in the US. Overall, for this business we expect flat to low-single digit percentage revenue growth.*

With respect specifically to Shingrix, broadly we anticipate deferral of strong growth in revenues into the second half of the year and increasing contributions from markets outside the US. Across the rest of the Vaccines portfolio, we expect to deliver a similar volume of flu doses, but for sales to be under pressure due to favourable RAR in 2020.

We expect meningitis to be broadly flat, informed by the continued impact of the pandemic, including COVID-19 vaccination programmes. Our Established vaccines portfolio will experience similar pressures than 2020, again largely informed by pandemic dynamics.

The key factors that will influence our 2021 outturn in Vaccines, in addition to the pace of deployment of COVID-19 immunisation programmes, include the trend of infection rates, the extent of recovery in international travel, and back to school patterns, particularly in the US, and how health systems around the world prioritise resources between COVID-19 response and other infectious diseases."

Consumer Healthcare

Consumer Healthcare (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Turnover excl brands divested/under review	**7,897**	**2,598**	**2,273**	**2,342**	**2,298**	**9,511**
CER growth – pro forma	n/a	+14%	*+0%*	*+3%*	*+1%*	*+4%*
Brands divested/under review	1,098	264	116	80	62	522
Turnover	**8,995**	**2,862**	**2,389**	**2,422**	**2,360**	**10,033**
CER growth – reported	*+17%*	*+46%*	*+25%*	*+2%*	*-7%*	*+14%*
CER growth – pro forma	+2%	+11%	*-6%*	*-6%*	-7%	-2%
Adjusted operating profit	**1,874**	**766**	**521**	**541**	**385**	**2,213**
CER growth – reported	*+22%*	*+82%*	*+33%*	*-2%*	*-12%*	*+22%*
CER growth – pro forma	*+4%*	*+26%*	*-11%*	*-9%*	*-12%*	*-1%*
Adjusted operating margin	*20.8%*	*26.8%*	*21.8%*	*22.3%*	*16.3%*	*22.1%*

Commentary by Iain Mackay from Q1 2020 results analyst/investor call:

"We estimate around two thirds of the overall Consumer growth in the quarter was related to increased COVID-19 consumer demand. We believe the majority of this is pantry loading but there is some incremental consumer usage in the Vitamins, Minerals and Supplements category and in Pain and Cough and Cold. "

Commentary on Consumer outlook by Iain Mackay from Q4 2020 results analyst/investor call:

"In Consumer, excluding brands divested or under review, we expect low to mid-single digit growth, outperforming the market."

"it's worth noting that comparisons to the prior year will be influenced by stocking patterns experienced in 2020, notably in 1Q. This volatility in comparisons is amplified in Consumer, with a weak cough and cold season continuing into the start of 2021"

Corporate and other unallocated turnover and costs

Corporate and other unallocated turnover and costs include the results of certain Consumer Healthcare products which are being held for sale in a number of markets in order to meet anti-trust approval requirements, together with the costs of corporate functions.

Corporate and other unallocated turnover (£m)	Q1	Q2	Q3	Q4	Full Year
2019	-	-	20	28	48
2020	27	-	-	1	28

Adjusted corporate and other unallocated operating profit (costs) (£m)	Q1	Q2	Q3	Q4	Full Year
2018	(129)	(99)	(93)	(138)	(459)
2019	(119)	(88)	(82)	(174)	(463)
2020	(132)	(13)	50[1]	(110)	(205)

[1] *includes one-off benefit from restructuring of post-retirement benefits*

Operating and financial performance

Operating performance

Expected costs and savings under Major Restructuring Programmes

In our Q4 2020 results presentation we included the table below.

Annual savings: (£bn)	Cumulative actuals to 2019	2020 actuals	2021 projected[1]	2022 projected[1]	2023 projected[1]	Total lifetime
2018 Restructuring Programme incl. Tesaro (Announced Q2'18)						
Savings[2]	0.2	0.3	0.5			0.5
Total charges	1.2	0.3	0.3			1.75
Cash payments	0.2	0.1	0.2	0.2		0.7
Consumer Joint Venture (Announced Dec-18)						
Synergies[2]	<0.1	0.3	0.4	0.5		0.5
Total charges	0.3	0.3	0.2	-		0.8
Cash payments	0.2	0.3	0.2	-		0.7
Separation Preparation Programme[4] (Announced Feb-20)						
Savings[2]		0.1	0.3	0.7	0.8	0.8
Total charges		0.8	1.1	0.5	-	2.4
Cash payments		0.2	0.6	0.6	0.1	1.5
Separation Costs[3]						
Total charges		0.1	0.3	0.2	-	0.6
Cash payments		0.1	0.3	0.2	-	0.6

[1] *All expectations and targets regarding future performance should be read together with the "Outlook, assumptions and cautionary statements" sections of the Fourth Quarter 2020 Results Announcement and the cautionary statement slide included with this presentation.*

[2] *Savings and synergies shown are cumulative for the programme to date throughout the table*

[3] *Additional one-time costs to prepare Consumer Healthcare for separation, excluding transaction costs*

Operating costs: SG&A and R&D

Selling, General and Administration

Adjusted SG&A costs (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
SG&A	10,715	2,786[1]	2,530	2,477[2]	2,924[3]	10,717
Reported growth - CER	**+12%**	**+18%**	**+4%**	**-7%**	**-4%**	**+2%**
Pro forma growth - CER	**+7%**	**+8%**	**-5%**	**-10%**	**-4%**	**-3%**

[1] *Q1'20 – includes costs for a number of legal settlements*

[2] *includes one-off benefit from restructuring of post-retirement benefits*

[3] *includes a number of legal settlements*

Research and development

Adjusted R&D costs (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
R&D	4,339	1,086	1,171	1,049	1,297	4,603
Reported growth - CER	**+14%**	**+11%**	**+11%**	**-6%**	**+12%**	**+7%**
Pro forma growth - CER	**+13%**	**+9%**	**+9%**	**-7%**	**+12%**	**+6%**

Commentary on 2021 R&D growth by Iain Mackay from Q4 2020 results analyst/investor call:

"We will continue to grow R&D investment in low double-digit percentage terms."

Royalty income

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2019	73	78	118	82	351
2020	67	75	85	91	318
2021 outlook					Between £350m and £400m

Divisional operating margins

Adjusted operating margin (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Pharma	26.2%	26.9%	23.8%	28.0%	19.5%	24.5%
Vaccines	*41.4%*	*47.5%*	*23.4%*	*44.2%*	*34.3%*	*38.9%*
Consumer Healthcare	*20.8%*	*26.8%*	*21.8%*	*22.3%*	*16.3%*	*22.1%*
Group	**26.6%**	**29.4%**	**22.9%**	**30.8%**	**20.8%**	**26.1%**

Commentary by Iain Mackay from Q1 2020 results analyst/investor call:

Pharmaceuticals: *"Turning to Pharma operating margin, as anticipated in our guidance at the full year, we saw a decline in Q1, informed by decisions we had made to invest in R&D behind priority assets; promotional activity for new product launches, and building specialty capability. In addition, in this quarter, we also saw price impacts, including notably the impact of generic Advair, as well as high provisions for legal settlements in the quarter."*

Vaccines: *"The operating margin of 48% primarily reflects operating leverage as a result of strong sales growth in the quarter, particularly from Shingrix, as well as an improved product mix and higher royalties."*

Consumer Healthcare: *"Operating margin for the quarter was up 320 basis points mainly driven by higher sales. With integration on track, we are delivering the planned synergies and continue to maintain strong cost control while investing behind our brands."*

Financial performance

Net finance expense

Adjusted net finance costs (£m)	Q1	Q2	Q3	Q4	Full Year
2019	(187)	(220)	(206)*	(197)	(810)
2020	(187)*	(227)	(197)	(233)	(844)
2021 outlook					Around £850 to 900m

** includes fair value gain on interest rate swaps*

Commentary by Iain Mackay from Q4 2020 results analyst/investor call:

"We expect interest expense to be in the range of £850-900 million in 2021, similar to 2020."

Associates and joint ventures

Adjusted associates and joint ventures (£m)	Q1	Q2	Q3	Q4	Full Year
2019	57*	(4)	17	4	74
2020	9	19	11	(6)	33

** 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
2019	19.7%	15.4%	15.8%	12.5%	16.0%
2020	13.7%*	20.5%	16.8%	13.9%	16.0%
2021 outlook					Around 18%

**benefits from the cancellation by the UK Government of a reduction in the UK corporation tax rate from 19% to 17% resulting in an increase in the value of balance sheet deferred tax assets.*

Commentary by Iain Mackay from Q4 2020 results analyst/investor call: *"We expect the 2021 tax rate to increase to around 18%, in line with what we have previously indicated, and continue to expect the effective tax rate to step up again over the medium term, excluding any potential impact from changes to US tax policy."*

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

Adjusted profit/(loss) attributable to non-controlling interests (£m)	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
ViiV	512	128	113	130	103	474
Pfizer Consumer Healthcare	204	139	138	147	91	515
Other	71	15	16	10	1	42
Total	**787**	**282**	**267**	**287**	**195**	**1,031**

Balance Sheet and Cashflow

Free cash flow

Free cash flow* (£m)	Q1	Q2	H1	Q3	9M	Q4	FY
2018	329	492	821	1,554	2,375	3,317	5,692
2019	165	370	*535*	1,939	*2,474*	2,599	5,073
2020	531	1,949	*2,480*	(180)	*2,300*	3,106	5,406

On the Q4 2020 results analyst/investor call Iain Mackay made the following comments regarding cashflow:

"Improving cash flow is a constant focus for our team. We however anticipate lower free cash flow in 2021, informed by less cash from asset divestments, which was particularly strong in 2020, less favourable RAR timing compared to last year, along with continued investment in R&D-focused business development and higher outflows from restructuring, which we will largely complete this year."

Net debt

Net debt (£m)	31 Mar	30 Jun	30 Sep	31 Dec
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	28,139	25,215*
2020	26,668**	23,435	23,882	20,780

*includes £507m of cash and cash equivalents reported in assets held for sale

**includes £483m of cash and cash equivalents reported in assets held for sale

In the Q4 2020 press release we made the following comments:

"At 31 December 2020, net debt was £20.8 billion, compared with £25.2 billion at 31 December 2019, comprising gross debt of £27.2 billion and cash and liquid investments of £6.4 billion. Net debt decreased due to the £3.3 billion proceeds from the Horlicks and other Consumer brands disposal including shares in Hindustan Unilever of £2.7 billion and £0.6 billion of other assets, £0.6 billion of other business and asset disposals together with £5.4 billion free cash flow, partly offset by cash divested of £0.5 billion, dividends paid to shareholders of £4.0 billion and £0.4 billion in additional investments.

At 31 December 2020, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £3.7 billion with loans of £2.6 billion repayable in the subsequent year."

Contingent consideration

Contingent consideration (£m)	30 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Shionogi – relating to ViiV Healthcare	5,103	5,325	5,436	5,572	5,359
Novartis – relating to Vaccines acquisition	339	338	349	493	477
Other	37	37	45	40	33
Total	**5,479**	**5,700**	**5,830**	**6,105**	**5,869**

In the Q4 2020 press release we made the following comments:

"Contingent consideration amounted to £5,869 million at 31 December 2020 (31 December 2019: £5,479 million), of which £5,359 million (31 December 2019: £5,103 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £477 million (31 December 2019: £339 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 31 December 2020, £745 million (31 December 2019: £730 million) is expected to be paid within one year."

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

Since the beginning of Q1 2021 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 to sell Cephalosporin antibiotics business to Sandoz
GSK to sell Cephalosporin antibiotics business to Sandoz | GSK **(Press release 11 February 2021)**

News flow on key assets during the quarter and to date

GSK to support manufacture of Novavax' COVID-19 vaccine

- **GSK to support manufacture of up to 60 million doses of Novavax' COVID-19 vaccine**
- **Manufacturing to take place at GSK UK facility at Barnard Castle**

GSK to support manufacture of Novavax' COVID-19 vaccine | GSK **(Press release 29 March 2021)**

Lilly, Vir Biotechnology and GSK announce positive topline data from the phase 2 BLAZE-4 trial evaluating bamlanivimab with VIR-7831 in low-risk adults with COVID-19

- **In combination, the two monoclonal antibodies demonstrated a 70% relative reduction in persistently high viral load at day 7 compared to placebo.**

Lilly, Vir Biotechnology and GSK announce positive topline data from the phase 2 BLAZE-4 trial evaluating bamlanivimab with VIR-7831 in low-risk adults with COVID-19 | GSK
(Press release 29 March 2021)

GSK and Vir Biotechnology announce submission of Emergency Use Authorization request to FDA for VIR-7831 for the early treatment of COVID-19
GSK and Vir Biotechnology announce submission of Emergency Use Authorization request to FDA for VIR-7831 for the early treatment of COVID-19 | GSK **(Press release 26 March 2021)**

GSK receives CHMP positive opinion recommending approval of Benlysta for adult patients with active lupus nephritis
GSK receives CHMP positive opinion recommending approval of Benlysta for adult patients with active lupus nephritis | GSK **(Press release 26 March 2021)**

Half of parents surveyed either cancelled or delayed their child's scheduled meningitis vaccination during the COVID-19 pandemic – GSK survey shows
Half of parents surveyed either cancelled or delayed their child's scheduled meningitis vaccination during the COVID-19 pandemic – GSK survey shows [1] | GSK **(Press release 24 March 2021)**

GSK to highlight scientific research in ovarian and endometrial cancer at SGO 2021 Annual Meeting on Women's Cancer

- **Company to present new data on ZEJULA (niraparib) and dostarlimab, underscoring continued progress in accelerating potentially transformational medicines for women with high unmet medical needs**

GSK to highlight scientific research in ovarian and endometrial cancer at SGO 2021 Annual Meeting on Women's Cancer | GSK **(Press release 19 March 2021)**

GSK starts the first phase 3 study with a long-acting anti-IL-5 treatment for patients with severe asthma

GSK starts the first phase 3 study with a long-acting anti-IL-5 treatment for patients with severe asthma | GSK **(Press release 18 March 2021)**

Medicago and GSK start Phase 3 trial of adjuvanted COVID-19 vaccine candidate

- **Trial to enrol up to 30,000 volunteers worldwide**
- **Fast Track designation granted by US FDA**

Medicago and GSK start Phase 3 trial of adjuvanted COVID-19 vaccine candidate | GSK
(LSE announcement 16 March 2021)

Vir Biotechnology and GSK announce VIR-7831 reduces hospitalisation and risk of death in early treatment of adults with COVID-19

- **Independent Data Monitoring Committee recommends stopping Phase 3 COMET-ICE trial early given an 85% reduction in hospitalisation or death.**
- **Vir and GSK plan to immediately seek Emergency Use Authorization in the US and authorisations in other countries.**
- **Additional new in vitro studies indicate VIR-7831 maintains activity against major circulating COVID-19 variants.**

Vir Biotechnology and GSK announce VIR-7831 reduces hospitalisation and risk of death in early treatment of adults with COVID-19 | GSK **(LSE announcement 11 March 2021)**

ViiV Healthcare presents positive proof-of-concept findings for GSK3640254, a novel, investigational maturation inhibitor for the treatment of HIV

- **The phase IIa proof-of-concept findings from ViiV Healthcare's innovative early pipeline of medicines show the antiviral activity, safety and tolerability of GSK'254 and support its continued study in Phase IIb**

ViiV Healthcare presents positive proof-of-concept findings for GSK3640254, a novel, investigational maturation inhibitor for the treatment of HIV | GSK **(Press release 09 March 2021)**

ViiV Healthcare presents data for long-acting cabotegravir and rilpivirine for the treatment of HIV showing continued virologic suppression to 96 weeks

- **Long-term efficacy and safety data from the phase IIIb ATLAS-2M study reinforce the therapeutic potential of long-acting cabotegravir and rilpivirine**

ViiV Healthcare presents data for long-acting cabotegravir and rilpivirine for the treatment of HIV showing continued virologic suppression to 96 weeks | GSK **(Press release 06 March 2021)**

Vir Biotechnology and GSK provide update on NIH-sponsored ACTIV-3 trial evaluating VIR-7831 in hospitalised adults with COVID-19

Vir Biotechnology and GSK provide update on NIH-sponsored ACTIV-3 trial evaluating VIR-7831 in hospitalised adults with COVID-19 | GSK **(Press release 03 March 2021)**

ViiV Healthcare to present new data on long-acting regimens for HIV prevention and treatment, alongside pipeline advances at CROI 2021

- **Data presented will demonstrate the potential of new antiretroviral mechanisms of action and long-acting medicines that challenge the HIV treatment and prevention paradigm**

ViiV Healthcare to present new data on long-acting regimens for HIV prevention and treatment, alongside pipeline advances at CROI 2021 | GSK **(Press release 02 March 2021)**

GSK receives CHMP positive opinion recommending approval of dostarlimab for women with recurrent or advanced endometrial cancer

GSK receives CHMP positive opinion recommending approval of dostarlimab for women with recurrent or advanced endometrial cancer | GSK **(Press release 26 February 2021)**

GSK announces results evaluating its investigational monoclonal antibody, otilimab, for the treatment of hospitalised adult patients with COVID-19

GSK announces results evaluating its investigational monoclonal antibody, otilimab, for the treatment of hospitalised adult patients with COVID-19 | GSK **(LSE announcement 25 February 2021)**

Sanofi and GSK initiate new Phase 2 study of their adjuvanted recombinant protein-based COVID-19 vaccine candidate

- **New Phase 2 study assesses potential for refined antigen formulation to achieve optimal immune response, including in older adults**
- **If results are positive, Phase 3 study to start in Q2 2021, with vaccine expected to be available in Q4 2021**
- **In parallel, development work on new SARS-CoV-2 variants underway**

Sanofi and GSK initiate new Phase 2 study of their adjuvanted recombinant protein-based COVID-19 vaccine candidate | GSK **(LSE announcement 22 February 2021)**

GSK and Vir Biotechnology expand coronavirus collaboration to advance new therapeutics for influenza and other respiratory viruses

- **Companies applying their combined expertise in immunology and infectious diseases to accelerate the development of promising monoclonal antibody candidates for influenza**
- **Functional genomics collaboration expanded to include respiratory viruses, Vir's unique technology, and access to GSK's small molecule compounds**
- **Additional exploration of up to three other antibodies for pathogens beyond influenza and coronaviruses**
- **GSK is increasing its equity investment by $120 million and making an upfront payment of $225 million**

GSK and Vir Biotechnology expand coronavirus collaboration to advance new therapeutics for influenza and other respiratory viruses | GSK **(LSE announcement 17 February 2021)**

GSK starts Phase III RSV candidate vaccine programme for older adults

- **RSV-associated lower respiratory tract-diseases (LRTDs) are estimated to cause around 360,000 hospitalisations and 24,000 deaths in older adults (60+) annually in developed countries**
- **First Phase III study evaluates the immunogenicity, safety, reactogenicity and persistence, to be followed by a separate Phase III study assessing vaccine efficacy**
- **Positive Phase I/II results established the robust immunogenicity of the vaccine candidate in the target population**

GSK starts Phase III RSV candidate vaccine programme for older adults | GSK
(Press release 16 February 2021)

ViiV Healthcare receives Marketing Authorisation for Rukobia (fostemsavir), a first-in-class attachment inhibitor in combination with other antiretrovirals for the treatment of adults with multidrug-resistant HIV

- **Fostemsavir addresses a critical need in HIV care for those with little to no treatment options left who are at risk of further disease progression, or complications from HIV**

ViiV Healthcare receives Marketing Authorisation for Rukobia (fostemsavir), a first-in-class attachment inhibitor in combination with other antiretrovirals for the treatment of adults with multidrug-resistant HIV | GSK **(Press release 08 February 2021)**

GSK and CureVac to develop next generation mRNA COVID-19 vaccines

- **Companies aim to develop a multi-valent candidate vaccine to address emerging variants for pandemic and endemic use**
- **Development to begin immediately targeting vaccine availability in 2022, subject to regulatory approval**
- **GSK will also support manufacture of up to 100 million doses of CureVac's first generation COVID-19 vaccine CVnCoV in 2021**

GSK and CureVac to develop next generation mRNA COVID-19 vaccines | GSK
(LSE announcement 03 February 2021)

Lilly, Vir Biotechnology and GSK announce first patient dosed in expanded BLAZE-4 trial evaluating bamlanivimab (LY-CoV555) with VIR-7831 (GSK4182136) for COVID-19
Lilly, Vir Biotechnology and GSK announce first patient dosed in expanded BLAZE-4 trial evaluating bamlanivimab (LY-CoV555) with VIR-7831 (GSK4182136) for COVID-19 | GSK
(Press release 27 January 2021)

ViiV Healthcare announces FDA approval of Cabenuva (cabotegravir, rilpivirine), the first and only complete long-acting regimen for HIV treatment

- **Cabenuva allows virologically suppressed adults living with HIV without prior treatment failure or resistance to cabotegravir or rilpivirine to maintain viral suppression with 12 dosing days per year.**

ViiV Healthcare announces FDA approval of Cabenuva (cabotegravir, rilpivirine), the first and only complete long-acting regimen for HIV treatment | GSK **(LSE announcement 21 January 2021)**

GSK presents positive efficacy data of dostarlimab in mismatch repair-deficient (dMMR) solid cancers at ASCO Gastrointestinal Cancers Symposium

- **Data from GARNET cohort F shows a 38.7% objective response rate with dostarlimab in patients with dMMR advanced solid cancers**
- **Durable responses across tumour types**

GSK presents positive efficacy data of dostarlimab in mismatch repair-deficient (dMMR) solid cancers at ASCO Gastrointestinal Cancers Symposium | GSK **(Press release 16 January 2021)**

ViiV Healthcare receives EU Marketing Authorisation for the first-ever dispersible-tablet formulation of dolutegravir, Tivicay, a treatment for children living with HIV in Europe

- **Dolutegravir is the first integrase inhibitor available as a dispersible tablet for children weighing at least 3kg and from four weeks of age**
- **The authorisation is an important step in fulfilling ViiV Healthcare's commitment to bring optimised paediatric formulations of dolutegravir to children**

ViiV Healthcare receives EU Marketing Authorisation for the first-ever dispersible-tablet formulation of dolutegravir, Tivicay, a treatment for children living with HIV in Europe | GSK
(Press release 13 January 2021)

Vir Biotechnology and GSK announce NHS-supported AGILE study to evaluate VIR-7832 in the early treatment of COVID-19

- **Second monoclonal antibody from Vir-GSK collaboration to be investigated as a potential COVID-19 treatment**
- **Preclinical data suggest VIR-7832 has two distinguishing properties: enhanced ability to clear infected cells and potential to enhance virus-specific T cell function, which could help treat and/or prevent COVID-19 infection**
- **Trial targeted to begin in 1Q2021 at multiple sites across the UK**

Vir Biotechnology and GSK announce NHS-supported AGILE study to evaluate VIR-7832 in the early treatment of COVID-19 | GSK **(Press release 12 January 2021)**

Other news flow during the quarter and to date

GSK announces Dr Anne Beal to join the Board as Non-Executive Director
GSK announces Dr Anne Beal to join the Board as Non-Executive Director | GSK
(LSE announcement 6 April 2021)

Publication of Notice of Annual General Meeting 2021
Publication of 2021 AGM Notice (investis.com) **(LSE announcement 30 March 2021)**

GSK publishes respiratory product sales reporting changes
GSK respiratory product sales reporting changes (investis.com) **(LSE announcement 30 March 2021)**

Moncef Slaoui Departs Galvani Bioelectronics Board of Directors
Moncef Slaoui Departs Galvani Bioelectronics Board of Directors | GSK
(LSE announcement 24 March 2021)

Chair of Audit & Risk Committee
Chair of Audit & Risk Committee (investis.com) **(LSE announcement 17 March 2021)**
Annual Report 2020 on Form 20-F
Annual Report 2020 on Form 20-F (investis.com) **(LSE announcement 12 March 2021)**

Publication of Annual Report 2020
Annual Financial Report (investis.com) **(LSE announcement 09 March 2021)**

GSK announces gender and diversity aspirational targets to increase representation at senior levels
For media and investors only

- **Aspirational targets to increase ethnically diverse senior leadership in the US and UK.**
- **Gender diversity aspirational target extended to drive further progress.**

GSK announces gender and diversity aspirational targets to increase representation at senior levels | GSK **(Press release 17 February 2021)**

GSK ranks 1st in the 2021 Access to Medicine Index with leading R&D pipeline for priority diseases
Ranking reflects GSK leadership through access to its medicines and vaccines for people around the world

- **Company extends albendazole donations with WHO for control of soil-transmitted helminthiasis in school-aged children to 2025, adding to existing commitment to elimination of lymphatic filariasis**

GSK ranks 1st in the 2021 Access to Medicine Index with leading R&D pipeline for priority diseases | GSK **(Press release 26 January 2021)**

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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