Pre-Quarterly Results Communication Q4 2018

Issued: Friday, 11th January 2019

Contents

New information for Q4 2018

Foreign exchange

Average rates Cumulative - YTD	3M 2017	6M 2017	9M 2017	12M 2017	3M 2018	6M 2018	9M 2018	12M 2018
Key currencies								
US$	1.25	1.27	1.28	1.30	1.39	1.37	1.35	1.33
€	1.17	1.16	1.15	1.15	1.13	1.14	1.13	1.13
Yen	141	142	144	145	151	149	148	147
Other currencies								
Australian dollar	1.66	1.68	1.68	1.69	1.77	1.78	1.78	1.78
Brazilian real	3.96	4.06	4.09	4.16	4.53	4.71	4.84	4.85
Canadian dollar	1.66	1.69	1.68	1.69	1.76	1.75	1.74	1.73
Chinese yuan	8.60	8.70	8.72	8.75	8.82	8.75	8.80	8.81
Indian rupee	83.2	83.3	83.8	84.4	89.5	90.0	90.7	90.6
Russian rouble	73.6	74.0	75.0	75.7	79.0	81.2	82.3	83.2
FX impact on turnover	***+ 14%***	***+11%***	***+8%***	***+5%***	***-6%***	***-5%***	***-4%***	***-3%***
FX impact on adjusted EPS	***+22%***	***+17%***	***+11%***	***+7%***	***-13%***	***-10%***	***-8%***	***n/a***

Average rates for the year ended 31 December 2018 were $1.33/£, €1.13/£ and Yen 147/£. Based on these rates, it is expected that the negative impact of foreign exchange on full year 2018 sales will be around 3%.

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 full year 2018 sterling adjusted EPS will be greater than the negative impact on sales. Over the first nine months of 2018, the negative impact of currencies to adjusted EPS was 8% compared with the 4% impact to sales.

Average rates Quarterly	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Key currencies								
US$	1.25	1.29	1.30	1.36	1.39	1.35	1.31	1.27
€	1.17	1.15	1.13	1.15	1.13	1.15	1.11	1.13
Yen	141	143	148	148	151	147	146	144
Other currencies								
Australian dollar	1.66	1.70	1.68	1.72	1.77	1.79	1.78	1.78
Brazilian real	3.96	4.16	4.15	4.37	4.53	4.89	5.10	4.88
Canadian dollar	1.66	1.72	1.66	1.72	1.76	1.74	1.72	1.70
Chinese yuan	8.60	8.80	8.76	8.84	8.82	8.68	8.90	8.84
Indian rupee	83.2	83.4	84.8	86.2	89.5	90.5	92.1	90.3
Russian rouble	73.6	74.4	77.0	77.8	79.0	83.4	84.5	85.9
FX impact on turnover	***+14%***	***+9%***	***+2%***	***-3%***	***-6%***	***-4%***	***-3%***	***+2%***
FX impact on adjusted EPS	***+22%***	***+14%***	***+3%***	***-4%***	***-13%***	***-7%***	***-4%***	***n/a***

Average rates for the quarter ended 31 December 2018 were $1.27/£, €1.13/£ and Yen 144/£. Based on these rates, it is expected that the positive impact of foreign exchange on Q4 2018 sales will be around 2%. 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 Q4 2018 sterling Adjusted EPS will likely be greater than the positive impact on sales.

The Q4 2018 period-end rates were $1.27/£, €1.11/£ and Yen 140/£.

Period end rates	Dec 2016	Mar 2017	June 2017	Sept 2017	Dec 2017	Mar 2018	Jun 2018	Sept 2018	Dec 2018
Key currencies									
US$	1.24	1.25	1.30	1.34	1.35	1.40	1.32	1.30	1.27
€	1.17	1.17	1.14	1.13	1.13	1.14	1.13	1.12	1.11
Yen	144	139	146	151	152	149	146	148	140

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 Q4 2018 there was continued volatility in several currencies relative to Sterling.

EGOLs as reported (£m)	Q1	Q2	Q3	Q4	Full Year
2016	(3)	0	11	(42)	(34)
2017	(12)	(20)	(18)	(12)	(62)
2018	(32)	(15)	(15)		

Foreign exchange: Ready reckoner

In the 2017 FY results presentation on 7 February 2018, 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 2018 full year adjusted EPS
US dollar	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-4.0%
Euro	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-2.5%
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 2017 currency sales exposure for GSK:

Currency	2017 currency sales exposure
US dollar	37%
Euro	19%
Japanese yen	7%
Other‡	37%

‡The other currencies that each represent more than 1% of Group sales are: Australian dollar, Brazilian real, Canadian dollar, Chinese yuan and Indian rupee. In total, they accounted for 12% of Group revenues in 2017

Basic weighted average number of shares (WANS)

The basic weighted average number of shares in issue during 2018 was 4,914m compared with 4,886m in 2017 (an increase of 0.6%).

The basic weighted average number of shares in issue during Q4 2018 was 4,920m compared with 4,891m in Q4 2017 (an increase of 0.6%).

In millions*	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
WANS: Quarter	4,877	4,887	4,890	4,891	4,903	4,914	4,917	4,920
WANS: Cumulative - Year to date	4,877	4,882	4,884	4,886	4,903	4,909	4,911	4,914
Period end shares	4,886	4,888	4,890	4,892	4,913	4,915	4,919	4,923

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

Dividend

In our press release on the 19 December 2018 (GlaxoSmithKline plc and Pfizer Inc to form new world-leading Consumer Healthcare Joint Venture) we made the following comment on dividend expectations:

"GSK remains committed to its current dividend policy and confirms it continues to expect to pay 80 pence per share in dividends for 2018. Recognising the significance of this proposed transaction and the importance of dividends to shareholders, the company is today confirming that it expects to pay dividends of 80 pence per share for 2019.

Going forward, the proposed transaction enhances prospects for the Consumer Healthcare business and supports the development of GSK's Pharmaceuticals business. With expected improvements in both businesses, GSK expects to be well positioned to deliver returns to shareholders alongside continued investment in its strategic priorities."

Dividend per share (p)	Q1	Q2	Q3	Q4	Full Year
2016	19	19	19	23	80
2017	19	19	19	23	80
2018 - expected	19	19	19		80†
2019 - 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 2018 and during 2017 which impact the year on year comparisons for Q4 2018. 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 Q4 2018 versus Q4 2017.

For further comments, please refer to quarterly press releases, presentations and transcripts.

Pharmaceuticals

Pharmaceuticals (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
Total turnover	**4,189**	**4,357**	**4,190**	**4,540**	**17,276**	**4,009**	**4,229**	**4,221**
Reported growth - CER	*+4%*	*+3%*	*+2%*	*+3%*	*+3%*	*+2%*	*+1%*	*+3%*
Adjusted operating profit	**1,440**	**1,464**	**1,426**	**1,597**	**5,927**	**1,329**	**1,492**	**1,361**
Reported growth - CER	*+6%*	*-5%*	*+1%*	*+4%*	*+1%*	*+0%*	*+7%*	*-2%*
Adjusted operating margin	34.4%	33.6%	34.0%	35.2%	34.3%	33.2%	35.3%	32.2%

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding the Pharmaceutical business:

"Despite the competitive and pricing pressures we are experiencing in Pharma, the momentum we have from our new products means we remain confident that we shall deliver overall sales growth for Pharma in the low single digits for the full year."

Pharmaceuticals: Respiratory

Seretide/Advair (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
US	339	476	388	407	1,610	229	260	309
Europe	206	182	164	184	736	166	151	132
International	207	190	191	196	784	171	179	178
Total	**752**	**848**	**743**	**787**	**3,130**	**566**	**590**	**619**
CER growth								
US	-12%	-11%	-15%	-22%	-16%	-25%	-43%	-19%
Europe	-17%	-21%	-18%	-10%	-17%	-21%	-17%	-20%
International	-4%	-11%	-11%	-7%	*-8%*	-12%	-2%	-2%
Total	**-12%**	**-14%**	**-15%**	**-16%**	***-14%***	**-20%**	**-28%**	**-15%**

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding the Respiratory business:

"Nucala growth was driven by international launches and market expansion in the US. The competitive environment for Nucala is picking up, and as a result, we are expecting growth for the next few quarters to be a bit more challenging as we respond to these new conditions, as Luke set out. Longer term, we remain confident that the strength of our data around Nucala and the 4.5 years of usage history in patients will allow us to build a significant product for the group.

Seretide/Advair declined more slowly this quarter with less volume and price decline than in the first half as we begin to annualise the step-up in pricing pressures that we saw in the second half of last year. Volume also benefited from some inventory phasing. I continue to expect an overall decline in Advair before any generic entry for the year of around 30% in line with the year-to-date performance.

Breo returned to stronger growth in the quarter, up 16% globally with good growth in Europe and International. The US was more challenging with sales up 11% despite volume growth of 27%, and the pricing benefit of lower RAR adjustments compared to last year partly offsetting an increasingly competitive pricing environment. We continue to expect that Breo will be the most affected of the Ellipta products as Advair goes generic."

Pharmaceuticals: HIV

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding the HIV business:

"Within HIV, our brands continue to perform well within a highly competitive marketplace and we continue to expect HIV to be an important growth driver for the Pharma business going forward, while remembering that in the short term Q4 is up against a tougher comparator than Q3."

HIV (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
Tivicay	301	340	364	399	1,404	348	407	432
Triumeq	539	648	621	653	2,461	606	682	669
Juluca	-	-	-	5	5	10	24	37
Total dolutegravir	***840***	***988***	***985***	***1,057***	***3,870***	***964***	***1,113***	***1,138***
Epzicom	78	63	51	42	234	37	26	24
Other HIV	67	65	57	57	246	47	50	47
Total turnover	**985**	**1,116**	**1,093**	**1,156**	**4,350**	**1,048**	**1,189**	**1,209**
CER growth	*+19%*	*+17%*	*+13%*	*+17%*	*+16%*	*+14%*	*+11%*	*+12%*

Pharmaceuticals: Established Pharmaceuticals

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding Established Pharmaceuticals:

*"*Established pharmaceuticals declined 9% in the quarter and 6% over the nine months. I continue to expect that the full-year decline will be in the mid to high single digits."

Established Pharmaceuticals (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
Total turnover	**1,429**	**1,347**	**1,391**	**1,391**	**5,558**	**1,286**	**1,230**	**1,224**
CER growth	*-6%*	*-7%*	*-4%*	*-5%*	*-5%*	*-5%*	*-5%*	*-9%*

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 2017 and 2018 quarterly results for the Vaccines business.

GSK Vaccines (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
US	363	316	816	374	1,869	489	486	1,060
Europe	389	394	431	386	1,600	389	393	402
International	400	401	442	448	1,691	360	374	462
Total turnover	**1,152**	**1,111**	**1,689**	**1,208**	**5,160**	**1,238**	**1,253**	**1,924**
Adjusted operating profit	**341**	**374**	**698**	**231**	**1,644**	**339**	**357**	**827**
Adjusted operating margin	*29.6%*	*33.7%*	*41.3%*	*19.1%*	*31.9%*	*27.4%*	*28.5%*	*43.0%*
CER growth								
US	*+21%*	*+12%*	*+6%*	*+16%*	*+12%*	*+50%*	*+61%*	*+34%*
Europe	*+4%*	*+10%*	*+6%*	*+2%*	*+6%*	*-3%*	*+0%*	*-8%*
International	*+25%*	*-5%*	*-14%*	*+9%*	*+1%*	*-6%*	*-3%*	*+9%*
Total turnover	***+16%***	***+5%***	***+0%***	***+9%***	***+6%***	***+13%***	***+16%***	***+17%***
Adjusted operating profit	***+22%***	***+30%***	***+5%***	***-3%***	***+11%***	***+18%***	***+3%***	***+26%***

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding Vaccines revenues:

"Moving to Vaccines, sales up 17% primarily driven by Shingrix, as well as an improvement in Bexsero. We are very pleased with the execution of our Shingrix launch and, in particular, how we have been able to accelerate our production plans. By the end of Q3, approaching seven million doses have been administered globally since launch, and we now expect to be able to deliver enough doses in 2018 to take Shingrix revenues for this year to between £700-750 million.

The Meningitis franchise returned to growth in the quarter with Bexsero driving market expansion and gaining share in the US. Europe continued to be impacted by the completion of cohort catch-up vaccination programmes.

Flu sales in terms of doses are broadly in line with last year, although we did see some price erosion largely due to channel mix in the US. Overall, I expect our full-year volumes to be similar to last year."

Consumer Healthcare

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding Consumer Healthcare revenues:

"Turning to Consumer, sales grew 3% despite a drag of around one percentage point from the combined impact of the divestment of non-strategic brands and the final quarter's impact of GST in India. The drag is a bit less than we had originally expected as we are seeing supply shortages for the TDS generic that will probably last into 2019.

The business continued to achieve both price and volume growth with volume up around 2% and pricing up 1%. We saw very strong margin progression for Consumer in the quarter. Keep in mind though that in Q3 we benefit from the selling of seasonal cold and flu products and, like last year, we expect higher costs in Q4 and a lower margin as we promote behind those sales to drive consumption. We remain confident of delivering low single digit reported sales growth for Consumer for the year, and we are on track with our margin objectives."

GSK Consumer Healthcare (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
Turnover	**2,043**	**1,852**	**1,964**	**1,891**	**7,750**	**1,975**	**1,828**	**1,947**
CER growth	*+2%*	*+0%*	*+2%*	*+4%*	*+2%*	*+2%*	*+3%*	*+3%*
Adjusted operating profit	**351**	**328**	**392**	**302**	**1,373**	**384**	**352**	**429**
CER growth	*-2%*	*+16%*	*+19%*	*+12%*	*+11%*	*+18%*	*+13%*	*+16%*
Adjusted operating margin	*17.2%*	*17.7%*	*20.0%*	*16.0%*	*17.7%*	*19.4%*	*19.3%*	*22.0%*

Corporate and other unallocated costs

Adjusted corporate and other unallocated operating profit (costs) (£m)	Q1	Q2	Q3	Q4	Full Year
2016	(168)	(31)	(35)	(128)	(362)
2017	(153)	(83)	(48)	(92)	(376)
2018	(129)	(99)	(93)		

Operating and financial performance

Operating performance

Year-on-year annual cost savings

Existing Major Restructuring programme (per Q4 2017 results presentation)

Annual savings: (£bn)*	2017 December achieved	2018 December expected	2019 December expected	2020 December expected
Annual savings at 2015 FX	3.3	3.5	3.7	4.0
Cumulative FX benefit	0.4	0.4	0.4	0.4
Total savings delivered/expected	**3.7**	**3.9**	**4.1**	**4.4**

** Expected phasing of annual savings. All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" on page 38 of our Q3 2018 earnings release dated 31 October 2018.*

In the Q3 2018 press release we made the following comments on restructuring:

"Cash payments made in the nine months were £353 million (2017: £449 million) including the settlement of certain charges accrued in previous quarters. The programmes delivered incremental annual cost savings in the nine months of £0.2 billion.

Charges for the existing combined restructuring and integration programme to date are £5.1 billion, of which cash charges were £3.7 billion. Cash payments of £3.5 billion have been made to date. Non-cash charges were £1.4 billion.

Estimated charges for 2018 under the existing combined restructuring and integration programme are £0.5 billion, with cash charges of around £0.3 billion and non-cash charges of around £0.2 billion."

New Major Restructuring programme (per Q2 2018 results presentation)

Annual savings: (£bn)*	2019E	2020E	2021E
Annual savings at 2017 FX	0.25	0.35	0.40

** Expected phasing of annual savings. All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" on page 38 of our Q3 2018 earnings release dated 31 October 2018.*

In the Q3 2018 press release we made the following comments on the new major restructuring programme:

"The 2018 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 will be fully re-invested in the Group to help fund targeted increases in R&D and commercial support of new products."

Estimated charges under the new programme for 2018 are £0.4 billion, with cash charges of around £0.3 billion and non-cash charges of around £0.1 billion."

Consumer Joint Venture Cost Synergies

Annual savings: (£bn)*	2020E	2021E	2022E
Annual savings at 2017 FX	0.2	0.4	0.5

** Expected phasing of annual savings. All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" on page 38 of our Q3 2018 earnings release dated 31 October 2018.*

On 19 December 2018 GlaxoSmithKline plc announced that it had reached agreement with Pfizer Inc to combine their consumer health businesses into a new world-leading Joint Venture, with combined sales of approximately £9.8 billion ($12.7 billion). The proposed transaction is expected to realise substantial cost synergies, with the Joint Venture expected to generate total annual cost savings of £0.5 billion by 2022 for expected total cash costs of £0.9 billion and non-cash charges of £0.3 billion. Planned divestments targeting around £1 billion of net proceeds are expected to cover the cash costs of the integration. Up to 25% of the cost savings are intended to be reinvested in the business to support innovation and other growth opportunities.

Selling, General and Administration

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding SG&A costs:

"SG&A increased by 4% in the quarter as we invested significantly behind driving our recent launches in Vaccines, Respiratory and HIV, as well as supporting seasonal products. This was partly offset by further reductions in the back office and other non-customer-facing resources."

Adjusted SG&A costs (£m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
SG&A	2,347	2,294	2,280	2,420	9,341	2,286	2,334	2,313
Reported growth - CER	**+0%**	**+2%**	**+2%**	**+2%**	**+1%**	**+2%**	**+6%**	**+4%**

Research and development

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding R&D costs:

"R&D costs were up 8% with around a third of that growth driven by a provision for payments due to a third party on the PRV we were recently granted. While we continue to step up investment behind key R&D projects, overall R&D spend growth also continues to benefit from the savings from the portfolio prioritisation decisions outlined earlier in the year. We continue to expect growth rates in R&D spend to pick up next year."

Adjusted R&D costs (£m)	Q1 2017	Q2* 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
R&D	919	1,053	898	992	3,862	887	868	961
Reported growth - CER	**+8%**	**+24%**	**+1%**	**+0%**	**+8%**	**+2%**	**-15%**	**+8%**

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

Royalty income

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding royalty income:

"Royalties were £94 million in the quarter, lifted by higher sales of Gardisil and I now expect royalties in the range of £250-270 million for the full year."

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2016	91	83	107	117	398
2017	82	98	107	69	356
2018 outlook	53	73	94		£250-270m

Financial performance

Net finance costs

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding net finance costs:

"Net financing costs in the quarter were £221 million, reflecting the higher debt following the acquisition from Novartis of their stake in the Consumer joint venture, as well as around £23 million of one-off interest charges on historic tax settlements. I continue to expect net financing costs for the year to be around £725 million."

Adjusted net finance costs (£m)	Q1	Q2	Q3	Q4	Full Year
2016	(159)	(163)	(160)	(170)	(652)
2017	(169)	(176)	(177)	(135)*	(657)
2018	(139)**	(165)	(221)***		Around £725m

** 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
2016	0	(2)	6	1	5
2017	5	(1)	7	2	13
2018	9	2	15		

Taxation

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding taxation:

"On tax, the adjusted rate was 18.6% in the quarter, 19.5% for the nine months in line with the range we expect for the full year of 19-20%. "

Adjusted tax rate (%)	Q1	Q2	Q3	Q4	Full Year
2016	21.4%	21.3%	20.8%	21.9%	21.3%
2017	22.0%	21.2%	21.0%	20.0%	21.0%
2018 outlook	20.2%	20.0%	18.6%		19% to 20%

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

On the Q3 2018 results analyst/investor call on 31 October 2018, Simon Dingemans made the following comments regarding minority interests:

"Charge for minorities was £141 million, down from £228 million last year following the Novartis buy-in."

Adjusted profit/(loss) attributable to non-controlling interests (£m)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018
ViiV	324	113	81	117	103	414	111	135	125
Novartis Consumer Healthcare	288	74	80	105	85	344	102	16	0
Other	25	12	13	6	4	35	11	19	16
Total	**637**	**199**	**174**	**228**	**192**	**793**	**224**	**170**	**141**

Free cash flow

Free cash flow* (£m)	Q1	Q2	*H1*	Q3	*9M*	Q4	*FY*
2016 - revised	(240)	365	*125*	1,433	*1,558*	1,739	3,297
2017 – revised	650	(264)	*386*	1,282	*1,668*	1,817	3,485
2018	329	492	*821*	1,554	*2,375*		

**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 Q3 2018 results analyst/investor call on 31 October 2018 Simon Dingemans made the following comments regarding Cashflow:

"Free cash flow for the Group during the first nine months of the year was £2.4 billion, up £0.7 billion and 42% in actual terms compared with last year. This increase was principally driven by improved operating profit, tighter control of capital expenditures, lower restructuring costs and higher proceeds from divestments. This was partly offset by the Vaccines milestone payment to Novartis at the beginning of this year, some foreign currency movements and a larger increase in working capital. The

working capital increase was primarily driven by increased receivables, largely Shingrix, partly offset by inventory reductions."

Net debt

Net debt (£m)	31 Mar	30 Jun	30 Sep	31 Dec
2016	12,495	14,910	14,663	13,804
2017	13,743	14,800	14,209	13,178
2018	13,377	23,935	23,837	

In the Q3 2018 press release we made the following comments:

"At 30 September 2018, net debt was £23.8 billion, compared with £13.2 billion at 31 December 2017, comprising gross debt of £27.7 billion and cash and liquid investments of £3.9 billion. 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 acquisition of the investment in 23andMe, £0.6 billion of unfavourable exchange impacts from the translation of non-Sterling denominated debt, and dividends paid to shareholders of £3.0 billion, partly offset by increased free cash flow of £2.4 billion after the milestone payment to Novartis.

At 30 September 2018, GSK had short-term borrowings (including overdrafts) repayable within 12 months of £2.9 billion with loans of £6.6 billion repayable in the subsequent year."

Contingent consideration

In the Q3 2018 press release we made the following comments:

"Contingent consideration amounted to £6,232 million at 30 September 2018 (31 December 2017: £6,172 million), of which £5,885 million (31 December 2017: £5,542 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £296 million (31 December 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 £242 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 30 September 2018 was £17 million (31 December 2017: £17 million)"

Contingent consideration (£m)	31 Dec 2016	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 June 2018	30 Sep 2018
Shionogi – relating to ViiV Healthcare	5,304	5,193	5,351	5,224	5,542	5,314	5,879	5,885
Novartis – relating to Vaccines acquisition	545	554	646	648	584	251	243	296
Other	47	47	46	45	46	45	48	51
Total	**5,896**	**5,794**	**6,043**	**5,917**	**6,172**	**5,610**	**6,170**	**6,232**

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

Acquisitions and divestments

GlaxoSmithKline plc and Pfizer Inc to form new world-leading Consumer Healthcare Joint Venture

- **Transaction provides a unique opportunity to accelerate GSK's strategy and create substantial value for shareholders**
- **Lays foundation for separation of GSK to create two new UK-based global companies focused on Pharmaceuticals/Vaccines and Consumer Healthcare**

GlaxoSmithKline plc (LSE/NYSE: GSK) has reached agreement with Pfizer Inc to combine their consumer health businesses into a new world-leading Joint Venture, with combined sales of approximately £9.8 billion ($12.7 billion). GSK will have a majority controlling equity interest of 68% and Pfizer will have an equity interest of 32% in the Joint Venture.

The proposed all-equity transaction represents a compelling opportunity to build on the recent buyout of Novartis' stake in GSK Consumer Healthcare, to create a new world-leading consumer healthcare business and to deliver further significant shareholder value. The proposed transaction also supports GSK's key priority of strengthening its pharmaceuticals business over the next few years by increasing cashflows and providing an effective pathway through the separation of GSK Consumer Healthcare to build further support for investment in its R&D pipeline.

(LSE announcement 19 December 2018)

GlaxoSmithKline Commences Tender Offer for TESARO, Inc

LONDON, UK and BOSTON, MA-December 14, 2018-GlaxoSmithKline plc (LSE/NYSE: GSK) ("GSK") today announced that it is commencing a cash tender offer for all of the issued and outstanding shares of common stock of TESARO, Inc. (NASDAQ: TRSO) ("TESARO") for a price of $75.00 per share. The tender offer is being made pursuant to an Offer to Purchase, dated December 14, 2018, and in connection with the previously announced Agreement and Plan of Merger, dated December 3, 2018, among GSK, Adriatic Acquisition Corporation, an indirect wholly-owned subsidiary of GSK ("AAC") and TESARO (the "Merger Agreement").

The tender offer commenced on December 14, 2018 and will expire at one minute past 11:59 P.M., Eastern Time, on January 14, 2019 (the "Expiration Date"), unless otherwise extended or terminated. Any extensions of the tender offer will be followed as promptly as practicable by public announcement thereof, and such announcement will be made no later than 9:00 A.M., Eastern Time, on the next business day after the previously scheduled Expiration Date.

(LSE announcement 14 December 2018)

GSK reaches agreement to acquire TESARO, an oncology focused biopharmaceutical company

GlaxoSmithKline plc (LSE/NYSE: GSK) and TESARO Inc (NASDAQ: TSRO) today announced that the Companies have entered into a definitive agreement pursuant to which GSK will acquire TESARO, an oncology-focused company based in Waltham, Massachusetts, for an aggregate cash consideration of approximately $5.1 billion (£4.0 billion). The proposed transaction will significantly strengthen GSK's pharmaceutical business, accelerating the build of GSK's pipeline and commercial capability in oncology.

TESARO is a commercial-stage biopharmaceutical company, with a major marketed product, Zejula (niraparib), an oral poly ADP ribose polymerase (PARP) inhibitor currently approved for use in

ovarian cancer. PARP inhibitors are transforming the treatment of ovarian cancer, notably demonstrating marked clinical benefit in patients with and without germline mutations in a BRCA gene (gBRCA). Zejula is currently approved in the US and Europe as a treatment for adult patients with recurrent ovarian cancer who are in response to platinum-based chemotherapy, regardless of BRCA mutation or biomarker status. **(LSE announcement 03 December 2018)**

GSK to divest Horlicks and other Consumer Healthcare nutrition products to Unilever

Following the completion of its previously announced strategic review, GlaxoSmithKline plc (LSE/NYSE: GSK) today announces the divestment of Horlicks and other consumer healthcare nutrition brands to Unilever plc ("Unilever") and the merger of GSK Consumer Healthcare Limited ("GSK India") with Hindustan Unilever Limited ("HUL") for a total consideration valued at approximately £3.1 billion based on the 15-day volume weighted average price (VWAP) ending Friday 30 November 2018 of HUL shares of INR1,717. Net proceeds are estimated to be approximately £2.4 billion on the same basis.

In India, Horlicks and other nutrition products are sold by GSK India, a public company listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), in which GSK holds a 72.5% stake. The proposed transaction involves the merger of GSK India with HUL, a public company listed on the NSE and BSE, following which GSK will own approximately 5.7% of HUL. The merger values GSK India at INR317 billion in total, or INR7,540 per share, a 15.4% premium to the un-disturbed share price of INR6,531 as at close of business on 26 March 2018.

Following completion of the transaction, currently expected by the end of 2019, GSK intends to sell down its holding in HUL. Such sell down will be in tranches and at such times as GSK considers appropriate, taking into account market conditions.

In addition, GSK is to sell its 82% stake in GlaxoSmithKline Bangladesh Limited and other related brand rights for GSK's consumer healthcare nutrition activities in certain other territories to Unilever, for which it is expected to receive cash proceeds equivalent to £566 million.

(LSE announcement 03 December 2018)

News flow on key assets during the quarter and to date

Since the beginning of Q4 2018 we have issued several LSE announcements and press releases, each of which can be accessed using the following links:

http://www.gsk.com/en-gb/media/press-releases/

http://us.gsk.com/en-us/media/press-releases/

Juluca (dolutegravir/rilpivirine), the first single pill, 2-drug regimen, for the maintenance treatment of HIV, granted marketing approval by Japan Ministry of Health, Labour and Welfare

- **ViiV Healthcare today announced that the Ministry of Health, Labour and Welfare (MHLW) has approved Juluca Combination Tablets (containing dolutegravir 50mg/rilpivirine 25mg) for the maintenance treatment of human immunodeficiency virus type 1 (HIV-1) infection.**

Juluca is a two-drug regimen of dolutegravir (ViiV Healthcare), the most widely prescribed integrase inhibitor worldwide, and rilpivirine (Janssen Sciences Ireland UC, part of the Janssen Pharmaceutical Companies of Johnson & Johnson). The distribution and sales operations of the once-daily single-pill

regimen will be conducted by GlaxoSmithKline K.K. Tokyo, in the same way as for existing products of ViiV Healthcare in Japan. **(Press Release 26 November 2018)**

GSK and Kyowa Hakko Kirin sign strategic commercialisation deal in Japan for daprodustat, a potential new oral treatment for anaemia associated with chronic kidney disease

- **GSK and Kyowa Hakko Kirin Co., Ltd., today announced a strategic collaboration for the future commercialisation of daprodustat in Japan. Daprodustat is an oral hypoxia-inducible factor prolyl hydroxylase inhibitor currently in phase 3 development by GSK for the treatment of anaemia associated with chronic kidney disease (CKD).**

This agreement recognises the importance of bringing this potential new medicine to patients in Japan and its joint nature brings together the global development and commercial expertise of GSK with the detailed CKD expertise of Kyowa Hakko Kirin. Under the terms of the agreement, GSK will be responsible for completion of the ongoing phase 3 clinical programme and regulatory submissions for marketing authorisation in Japan. Distribution of daprodustat will be exclusively conducted by Kyowa Hakko Kirin in the Japan market. Launch activities, including engagement of healthcare professionals and commercial activities, are expected to be conducted jointly by Kyowa Hakko Kirin and GSK. The financial details of the deal are not being disclosed.
(Press Release 22 November 2018)

GSK submits US regulatory filing to expand the use of Nucala in children with severe eosinophilic asthma

- **GlaxoSmithKline plc (GSK) today announced the filing of a supplemental Biologics License Application (sBLA) to the US Food and Drug Administration (FDA) seeking an additional indication for the use of Nucala (mepolizumab) as an add-on treatment for severe eosinophilic asthma in paediatric patients aged six to 11 years.**

The submission is supported by a paediatric open-label study conducted in children aged six to 11 years that investigated pharmacokinetics, pharmacodynamics and long-term safety.
Mepolizumab, a humanised anti-IL5 monoclonal antibody, was approved in the US in 2015 for use as an add-on treatment for patients, aged 12 years or older, with severe asthma and an eosinophilic phenotype. There are currently no targeted biologic therapies available in the US for patients with severe eosinophilic asthma who are as young as six years old.
(Press Release 19 November 2018)

ViiV Healthcare receives CHMP Positive Opinion for Tivicay EU label update with GEMINI study data for the 2-drug regimen of Tivicay + lamivudine

- **ViiV Healthcare announces that the Committee for Medicinal Products for Human Use (CHMP) has adopted a Positive Opinion on a Type II variation regulatory application for Tivicay (dolutegravir).**

The label update includes data from the phase III GEMINI 1 & 2 studies, which evaluated the safety, efficacy and tolerability of the 2-drug regimen of dolutegravir + lamivudine compared to a three-drug regimen of dolutegravir and tenofovir disoproxil fumarate/emtricitabine in more than 1400 HIV-1 infected adults with baseline viral loads up to 500,000 c/mL.[i] This CHMP Positive Opinion provides further support for the efficacy of dolutegravir in treating HIV as a 2-drug regimen (2DR).
(Press Release 16 November 2018)

Once-daily Trelegy Ellipta gains expanded COPD indication in Europe

- **First single inhaler triple therapy to be specifically indicated for COPD patients not adequately treated with dual bronchodilation.**

GlaxoSmithKline plc (LSE/NYSE: GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced that the European Commission has authorised an expanded label for once-daily Trelegy Ellipta (fluticasone furoate/umeclidinium/vilanterol 'FF/UMEC/VI'), recognising its effect on exacerbations and making it the first single inhaler triple therapy indicated for patients with moderate to severe chronic obstructive pulmonary disease (COPD) not adequately treated with dual bronchodilation or with an inhaled corticosteroid (ICS) and a long-acting β2-agonist (LABA).
(Press Release 09 November 2018)

Statement: GSK supports GOLD committee's efforts to further personalise COPD management

- **GlaxoSmithKline plc welcomes the updated Global Initiative for Chronic Obstructive Lung Disease (GOLD) Strategy which aims to better personalise chronic obstructive pulmonary disease (COPD) management and recognises the need for a range of treatment options to meet individual patient needs.**

GSK studies such as the landmark InforMing the PAthway of COPD Treatment (IMPACT) have contributed to the evidence base GOLD has considered in support of the main treatment classes.
(Press Release 08 November 2018)

ViiV Healthcare announces positive phase 3 results from the BRIGHTE study of fostemsavir at 48 weeks in heavily treatment-experienced patients with HIV

- **BRIGHTE study highlights ViiV Healthcare's commitment to developing innovative medicines for all people living with HIV, including those heavily-treated and failing on current antiretroviral regimens**

ViiV Healthcare today announced 48-week results from the phase III BRIGHTE study of investigational fostemsavir in heavily treatment-experienced (HTE) patients with HIV-1 infection.
Fostemsavir, in combination with optimised background treatment (OBT), maintained virologic suppression from Week 24 to Week 48 in this difficult-to-treat population. Results show 54% of patients in the randomised cohort (n = 146/272) achieved virologic suppression (<40 copies/mL) at 48 weeks of treatment with fostemsavir plus optimised background therapy. Additionally, patients in the randomised cohort showed immunologic improvement through week 48 as demonstrated by an increase in CD4+ T-cell counts (mean change from baseline of +139 cells/µL). These data at 48 weeks build on the primary endpoint data (day 8) announced last year.
Most patients who received fostemsavir experienced at least one adverse event (AE) by week 48. The most commonly reported drug-related AEs were diarrhoea, nausea and headache. Thirty-five percent of participants had one or more serious adverse events (SAE), most commonly related to infections, and these occurred in the most immunocompromised patients. Three percent (3%) of SAEs related to the study medication, and seven percent (7%) of participants discontinued due to an AE. **(LSE announcement 31 October 2018)**

ViiV Healthcare reports positive 48-week results for second phase III study for novel, long-acting, injectable HIV-treatment regimen

- **FLAIR study meets primary endpoint, showing similar efficacy of a once-a-month, investigational, injectable two-drug regimen of cabotegravir and rilpivirine compared to a daily, oral three-drug, integrase-based regimen in virally-suppressed adults.**

ViiV Healthcare today announced positive headline results from its global, Phase III FLAIR (First Long-Acting Injectable Regimen) study of a long-acting, injectable two-drug regimen (2DR) for the treatment of HIV. FLAIR was designed to study if adults infected with human immunodeficiency virus type-1 (HIV-1), whose virus is suppressed after 20 weeks on the daily, oral medicine Triumeq (abacavir/dolutegravir/lamivudine-ABC/DTG/3TC), remain suppressed at a similar rate to continuing Triumeq after switching to a monthly two-drug intramuscular long-acting injectable regimen of cabotegravir and rilpivirine.

The study showed long-acting cabotegravir and rilpivirine, injected once a month, had similar efficacy to Triumeq at Week 48 based on the proportion of participants with plasma HIV-1 RNA ≥50 copies per millilitre [c/mL] using the FDA Snapshot algorithm. Overall safety, virologic response and drug resistance results for the injectable regimen were consistent with results from the phase II LATTE and LATTE-2 studies. **(LSE announcement 30 October 2018)**

ViiV Healthcare presents three-year data for investigational long-acting injectable, two-drug HIV regimen

- **LATTE-2 study shows high rates of virologic response and long-term durability with the long-acting, injectable, two-drug regimen over 160 weeks**

ViiV Healthcare today presented three-year results from LATTE-2,[i] a phase IIb study investigating a long-acting, two-drug, injectable regimen of cabotegravir and rilpivirine. At 160 weeks, the long-acting regimen, administered either every eight weeks or every four weeks, demonstrated high rates of virologic response, long-term durability of virologic response and good overall tolerability. These results were presented at the HIV Glasgow Drug Therapy meeting in Scotland.
(LSE announcement 29 October 2018)

GSK announces positive phase 3 results for daprodustat in patients with anaemia associated with chronic kidney disease

- **Second of three pivotal studies intended to support regulatory filing in Japan in 2019**

GSK today announced the results from a randomised, double blind, active-controlled phase 3 study in Japanese patients to evaluate daprodustat, an oral hypoxia-inducible factor prolyl hydroxylase inhibitor, as a potential treatment for anaemia associated with chronic kidney disease (CKD).
Results from the 52-week study of 271 haemodialysis-dependent patients, showed that oral daprodustat met its primary endpoint of non-inferiority to darbepoetin alfa IV injection, as measured by mean haemoglobin levels over Weeks 40 to 52. **(Press Release 29 October 2018)**

GSK presents new efficacy and safety data of an anti GM-CSF antibody in patients with rheumatoid arthritis

- **Marked patient benefit observed in phase II study supports further clinical development of GSK3196165 for RA.**

GSK today announced encouraging results from a phase II dose-ranging study of GSK3196165 ("GSK165"), an investigational anti-granulocyte macrophage colony-stimulating factor monoclonal (anti GM-CSF) antibody, in patients with moderate to severe rheumatoid arthritis (RA) who have an inadequate response to methotrexate (MTX). These data (abstract 1938) will be presented at the 2018 American College of Rheumatology (ACR). **(Press Release 21 October 2018)**

ViiV Healthcare submits New Drug Application to US FDA for single-tablet, two-drug regimen of dolutegravir and lamivudine for treatment of HIV

- **Priority review voucher used with NDA submission with anticipated target action date of six months**

ViiV Healthcare today announced it has submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA) for a single-tablet, two-drug regimen of dolutegravir (DTG) and lamivudine (3TC) for the treatment of HIV-1 infection.

The submission is based on the global GEMINI 1 & 2 studies that included more than 1400 HIV-1 infected adults with baseline viral loads up to 500,000 c/mL. The results of these studies were presented at the 2018 International AIDS Society meeting in July.

A priority review voucher was submitted to the FDA along with the NDA. Under the Prescription Drug User Fee Act, the anticipated target action date for this NDA with a priority review voucher is six months after receipt of the application by the FDA. A marketing authorisation application (MAA) to the European Medicines Agency (EMA) was submitted in September and other global regulatory submissions for DTG and 3TC as a single-tablet, two-drug regimen for HIV-1 therapy are anticipated in the coming months. **(LSE announcement 18 October 2018)**

GSK updates policy for working with healthcare professionals

We are updating our policy on working with healthcare professionals (HCPs). This policy update is being made to ensure we continue to operate responsibly and improve how we help prescribers to understand new data and clinical experience with our innovative products, so they can deliver better outcomes for patients.

These changes are being made for a select number of innovative products in a limited number of countries and apply to restricted time periods in a product's lifecycle. The updated policy means GSK will in certain circumstances:

- Allow payments to global expert practitioners who speak about the new science behind our innovative products, their associated diseases and clinical practice in promotional settings.
- Pay reasonable travel costs (except in the US) for an HCP to attend a GSK-organized standalone meeting to learn about data and clinical expertise.
- Directly pay registration fees for HCPs to attend remote congress webinars/webcasts. We will continue to not sponsor HCPs to attend local and international conferences.
- These changes are effective from today, apply to GSK's Pharmaceuticals and Vaccines businesses, and ViiV Healthcare, and are in full compliance with applicable regulations and laws.

Under the new policy we will expand our reporting of payments to individual HCPs as part of our commitment to transparency and responsible disclosure. Beginning in 2019, we will, where legally permitted, disclose individual level payments annually in the US, Japan and other major developed markets in Europe, North America and Asia. **(Press release 02 October 2018)**

Positive results from Harmony Outcomes study of albiglutide published in The Lancet
GSK and the Duke Clinical Research Institute (DCRI) today announced publication of positive results from the Harmony Outcomes study which assessed the cardiovascular (CV) safety and efficacy of albiglutide, a GLP-1 receptor agonist, in patients with type 2 diabetes and cardiovascular disease. Results were presented at the European Association for the Study of Diabetes congress 2018 with simultaneous publication in The Lancet. **(Press release 02 October 2018)**

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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