



Pre-Quarterly Results Communication Q4 2019

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Contents

New information for Q4 2019	2
Foreign exchange	2
Basic weighted average number of shares (WANS).....	4
Dividend	4
Factors impacting recent quarterly comparisons	5
Pharmaceuticals	5
Vaccines	7
Consumer Healthcare	9
Corporate and other unallocated costs	9
Operating and financial performance.....	10
Operating performance	10
Expected costs and savings under Major Restructuring Programmes	10
Operating costs: SG&A and R&D.....	10
Royalty income.....	11
Divisional operating margins	11
Financial performance	12
Net finance expense	12
Associates and joint ventures	12
Taxation.....	12
Profit / (loss) attributable to non-controlling interests (minority interests)	13
Balance Sheet and Cashflow	13
Free cash flow	13
Net debt	14
Contingent consideration	14
Historic London Stock Exchange announcements (LSE announcements) and press releases	15
Acquisitions and divestments	15
News flow on key assets during the quarter and to date.....	16
Other news flow during the quarter and to date	18

New information for Q4 2019

Foreign exchange

Average rates Cumulative - YTD	3M 2018	6M 2018	9M 2018	12M 2018	3M 2019	6M 2019	9M 2019	12M 2019
Key currencies								
US\$	1.39	1.37	1.35	1.33	1.31	1.29	1.27	1.28
€	1.13	1.14	1.13	1.13	1.15	1.14	1.13	1.14
Yen	151	149	148	147	144	142	139	139
Other currencies								
Australian dollar	1.77	1.78	1.78	1.78	1.83	1.83	1.82	1.84
Brazilian real	4.53	4.71	4.84	4.85	4.96	4.97	4.96	5.04
Canadian dollar	1.76	1.75	1.74	1.73	1.74	1.73	1.69	1.70
Chinese yuan	8.82	8.75	8.80	8.81	8.81	8.77	8.73	8.82
Indian rupee	89.5	90.0	90.7	90.6	91.7	90.3	89.0	89.9
Russian rouble	79.0	81.2	82.3	83.2	86.7	84.7	83.1	83.0
FX impact on turnover	-6%	-5%	-4%	-3%	+1%	+1%	+3%	+1 to 2%
FX impact on adjusted EPS	-13%	-10%	-8%	-5%	+4%	+4%	+5%	n/a

On the basis of the rates in the table above, it is expected that the positive impact of foreign exchange on 2019 sales will be around +1% to +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 2019 sterling Adjusted EPS will be greater than the positive impact on sales. Over the first nine months of 2019, the positive impact of currencies to adjusted EPS was 5% compared with the 3% impact to sales.

Average rates Quarterly	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Key currencies								
US\$	1.39	1.35	1.31	1.27	1.31	1.28	1.23	1.30
€	1.13	1.15	1.11	1.13	1.15	1.14	1.11	1.17
Yen	151	147	146	144	144	140	133	141
Other currencies								
Australian dollar	1.77	1.79	1.78	1.78	1.83	1.83	1.80	1.88
Brazilian real	4.53	4.89	5.10	4.88	4.96	4.99	4.94	5.27
Canadian dollar	1.76	1.74	1.72	1.70	1.74	1.71	1.63	1.71
Chinese yuan	8.82	8.68	8.90	8.84	8.81	8.73	8.64	9.10
Indian rupee	89.5	90.5	92.1	90.3	91.7	89.0	86.4	92.6
Russian rouble	79.0	83.4	84.5	85.9	86.7	82.6	79.9	82.7
FX impact on turnover	-6%	-4%	-3%	+2%	+1%	+2%	+5%	-2%
FX impact on adjusted EPS	-13%	-7%	-4%	+4%	+4%	+5%	+8%	n/a

On the basis of the rates in the table above, it is expected that the negative impact of foreign exchange on Q4 2019 sales will be around -2%. 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 Q4 2019 sterling Adjusted EPS will likely be greater than the negative impact on sales.

The Q4 2019 period-end rates were \$1.32/£, €1.18/£ and Yen 143/£.

Period end rates	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019
Key currencies									
US\$	1.35	1.40	1.32	1.30	1.27	1.31	1.27	1.23	1.32
€	1.13	1.14	1.13	1.12	1.11	1.17	1.12	1.13	1.18
Yen	152	149	146	148	140	145	137	133	143

Foreign exchange: Ready reckoner

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

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

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

The slide also included 2018 currency sales exposure for GSK:

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

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

Basic weighted average number of shares (WANS)

The basic weighted average number of shares in issue during 2019 was 4,947m compared with 4,914m in 2018 (an increase of 0.7%).

The basic weighted average number of shares in issue during Q4 2019 was 4,953m compared with 4,920m in Q4 2018 (an increase of 0.7%).

In millions*	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
WANS: Quarter	4,903	4,914	4,917	4,920	4,936	4,947	4,951	4,953
WANS: Cumulative - Year to date	4,903	4,909	4,911	4,914	4,936	4,942	4,945	4,947
Period end shares	4,913	4,915	4,919	4,923	4,947	4,948	4,952	4,954

*excludes treasury shares and shares held by ESOP trusts

Dividend

In the Q3 2019 press release we made the following comments regarding the dividend:

“The Board intends to maintain the dividend for 2019 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25-1.50x, before returning the dividend to growth.”

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

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

Factors impacting recent quarterly comparisons

As usual there were several events in 2019 and during 2018 which impact the year on year comparisons for Q4 2019. This includes the following noteworthy items which you may wish to consider in your modelling.

Please note that the items listed below are not intended to be a complete list of all items that may impact the comparisons for Q4 2019 versus Q4 2018.

For further comments, please refer to quarterly press releases, presentations and transcripts. This includes slide 25 of the Q3 2019 Results presentation.

<https://www.gsk.com/media/5745/q3-2019-results-slides.pdf>

Pharmaceuticals

Pharmaceuticals (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Total turnover	4,009	4,229	4,221	4,810	17,269	4,158	4,307	4,531
<i>Reported growth - CER</i>	+2%	+1%	+3%	+4%	+2%	+2%	-1%	+3%
Adjusted operating profit	1,329	1,492	1,361	1,562	5,744	1,238	1,256	1,093
<i>Reported growth - CER</i>	+0%	+7%	-2%	-6%	+0%	-8%	-19%	-24%
Adjusted operating margin	33.2%	35.3%	32.2%	32.5%	33.3%	29.8%	29.2%	24.1%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding the Pharmaceuticals business:

“Overall, benefitting from some in-year upsides, we now expect to see Pharma sales broadly flat in 2019.”

Pharmaceuticals: Respiratory

Respiratory (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Anoro	97	120	115	144	476	102	128	143
Arnuity	11	10	10	13	44	7	14	12
Incruse	48	74	75	87	284	68	57	60
Relvar/Breo	219	279	258	333	1,089	215	238	249
Trelegy	11	26	42	77	156	87	120	139
Ellipta products	386	509	500	654	2,049	479	557	603
Nucala	104	141	145	173	563	152	195	203
Total Respiratory	490	650	645	827	2,612	631	752	806
CER growth								
<i>Ellipta products</i>	+34%	+26%	+35%	+33%	+32%	+20%	+6%	+15%
<i>Nucala</i>	+86%	>100%	+62%	+38%	+66%	+41%	+33%	+33%
Total Respiratory	+42%	+37%	+40%	+34%	+38%	+25%	+12%	+19%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding Relvar/Breo:

“..... Relvar/Breo, which declined 8% globally, driven by a 32% decline in the US, reflecting the impact of generic Advair on pricing in the ICS LABA class. We continue to have good growth expectations outside the US, and this quarter sales grew 19% in Europe and 22% in international.”

Pharmaceuticals: HIV

HIV (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Tivicay	348	407	432	452	1,639	383	412	441
Triumeq	606	682	669	691	2,648	614	646	651
Juluca	10	24	37	62	133	70	84	101
Dovato	-	-	-	-	-	-	5	18
Dolutegravir products	964	1,113	1,138	1,205	4,420	1,067	1,147	1,211
Epzicom	37	26	24	30	117	19	22	19
Other HIV	47	50	47	41	185	35	40	37
HIV	1,048	1,189	1,209	1,276	4,722	1,121	1,209	1,267
CER growth								
<i>Dolutegravir products</i>	<i>+23%</i>	<i>+18%</i>	<i>+17%</i>	<i>+9%</i>	<i>+16%</i>	<i>+7%</i>	<i>+0%</i>	<i>+2%</i>
HIV	+14%	+11%	+12%	+6%	+11%	+4%	-2%	+0%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding the HIV business:

“We have seen an encouraging start for Dovato, both in the US and in Europe, where we had our first launches this quarter. We continue to build momentum with the two-drug regimens but, as anticipated, it will take several quarters for them to become a significant contributor to growth.”

Pharmaceuticals: Oncology

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

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

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

Pharmaceuticals: Established Pharmaceuticals

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

Established Pharmaceuticals (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Established Respiratory	1,085	1,046	1,021	1,164	4,316	1,083	913	939
Established other	1,286	1,230	1,224	1,407	5,147	1,159	1,225	1,284
Total turnover	2,371	2,276	2,245	2,571	9,463	2,242	2,138	2,223
CER growth								
Established Respiratory	-12%	-17%	-9%	-12%	-13%	-2%	-14%	-12%
Established other	-5%	-5%	-9%	+1%	-4%	-9%	-1%	+1%
Total turnover	-8%	-11%	-9%	-5%	-8%	-6%	-7%	-5%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding Established Pharmaceuticals:

“Our Established Pharmaceuticals portfolio declined 5% overall, driven by US Advair sales which were down 64% as expected, given generic competition. This was offset by continued upside on Ventolin from the authorised generic launched in the US earlier in the year which, you will remember, is an in-year benefit ahead of the introduction of the substitutable generics expected in 2020.

We also saw favourable RAR true-ups in the US, primarily on Flovent.

Outside Respiratory, the remainder of the Established Pharma portfolio grew by 1% in the quarter, helped by the phasing of some tenders in Europe. Our expectation for the longer term for this part of our established products portfolio, excluding Respiratory, remains a mid- to high-single digit decline.”

Seretide/Advair (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
US	229	260	309	299	1,097	176	105	117
Europe	166	151	132	150	599	133	129	121
International	171	179	178	198	726	177	178	180
Total	566	590	619	647	2,422	486	412	418
CER growth								
US	-25%	-43%	-19%	-31%	-30%	-27%	-61%	-64%
Europe	-21%	-17%	-20%	-20%	-20%	-19%	-15%	-9%
International	-12%	-2%	-2%	+2%	-4%	+4%	-1%	-2%
Total	-20%	-28%	-15%	-20%	-21%	-15%	-31%	-35%

Vaccines

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

Vaccines (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Meningitis	180	184	329	188	881	209	235	371
Influenza	9	17	304	193	523	15	17	371
Shingrix	110	167	286	221	784	357	386	535
Established Vaccines	939	885	1,005	877	3,706	941	947	1,031
Total turnover	1,238	1,253	1,924	1,479	5,894	1,522	1,585	2,308
Adjusted operating profit	339	357	827	420	1,943	614	612	1,162
<i>Adjusted operating margin</i>	27.4%	28.5%	43.0%	28.4%	33.0%	40.3%	38.6%	50.3%
CER growth								
<i>Meningitis</i>	-2%	-3%	+15%	-9%	+2%	+18%	+26%	+9%
<i>Influenza</i>	-23%	-14%	-7%	+69%	+10%	+67%	+6%	+15%
<i>Shingrix</i>	n/a	n/a	n/a	n/a	>100%	>100%	>100%	+76%
<i>Established Vaccines</i>	+3%	+1%	-3%	-3%	+0%	-1%	+5%	-1%
Total turnover	+13%	+16%	+17%	+18%	+16%	+20%	+23%	+15%
Adjusted operating profit	+18%	+3%	+26%	+71%	+25%	+69%	+64%	+30%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding Shingrix and vaccines overall revenues:

“Shingrix continues to benefit from our actions to increase our supply capacity, with revenues in the quarter of £535 million, driven by continued strong uptake in the US as well as in Germany and Canada. With our strength and supply position, we now expect to achieve high teens of millions of doses this year. We expect to be able to supply slightly more doses in 2020 than in 2019 but, as we have said before, we do not expect a significant step change in doses until we bring a new facility online.”

In our meningitis portfolio, Bexsero continued to perform well, growing 19% in the quarter, with share gains in the US and strong demand across all regions. Flu was up 15%, which was helped by an earlier season compared with last year, but it also reflected share gains given our speed to market and a favourable impact from a prior year returns provision reversal. The phasing benefit will wash through in Q4, where we expect a decline in flu, given the higher comparator. Overall, I expect our full-year volumes to be slightly ahead of last year.”

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

“I am not going to put an additional number specifically on the doses for next year, but if you listen to Iain’s outline we said we would expect slightly more doses in 2020, but we don’t expect a step-change until we have that new facility in place, which we have said externally we are talking about around 2024.”

Consumer Healthcare

Consumer Healthcare (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Turnover	1,975	1,828	1,947	1,908	7,658	1,981	1,917	2,526
<i>CER growth – reported</i>	+2%	+3%	+3%	+1%	+2%	+1%	+4%	+25%
<i>CER growth – pro forma</i>	-	-	-	-	-	-	-	+3%
Adjusted operating profit	384	352	429	352	1,517	430	391	613
<i>CER growth – reported</i>	+18%	+13%	+16%	+14%	+15%	+12%	+8%	+34%
<i>CER growth – pro forma</i>	-	-	-	-	-	-	-	+8%
<i>Adjusted operating margin</i>	19.4%	19.3%	22.0%	18.4%	19.8%	21.7%	20.4%	24.3%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding Consumer Healthcare revenues:

“Consumer now includes the Pfizer portfolio after the closure of the JV at the end of July, with sales of the new JV up 3% on a proforma basis, despite a drag of around 1% from the combined impact of divestments and the phasing of low margin contract manufacturing.

We saw a good performance from our power brands, particularly in the US and international. We also saw Europe return to growth this quarter “

On 31 July, GSK completed the transaction with Pfizer to form a new world-leading Consumer Healthcare Joint Venture. Below for reference are the quarterly sales for the Pfizer business as reported and consolidated by Pfizer (in US\$) from Q1 2017 to date:

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

Corporate and other unallocated costs

Adjusted corporate and other unallocated operating profit (costs) (£m)	Q1	Q2	Q3	Q4	Full Year
2017	(153)	(83)	(48)	(92)	(376)
2018	(129)	(99)	(93)	(138)	(459)
2019	(119)	(88)	(82)		

Operating and financial performance

Operating performance

Expected costs and savings under Major Restructuring Programmes

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

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

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

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

Operating costs: SG&A and R&D

On slide 25 of the Q3 results presentation we highlighted the impact on 2019 from the addition of the Tesaro cost base, and that R&D spend would pick up significantly.

Selling, General and Administration

Adjusted SG&A costs (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
SG&A	2,286	2,334	2,313	2,529	9,642	2,397	2,433	2,768
Reported growth - CER	+2%	+6%	+4%	+3%	+4%	+4%	+2%	+16%
Pro forma growth - CER	-	-	-	-	-	-	-	+8%

Research and development

Adjusted R&D costs (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
R&D	887	868	961	1,019	3,735	971	1,040	1,164
Reported growth - CER	+2%	-15%*	+8%	-1%	-2%*	+6%	+16%	+17%
Pro forma growth - CER	-	-	-	-	-	-	-	+15%

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

Royalty income

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2017	82	98	107	69	356
2018	53	73	94	79	299
2019 outlook	73	78	118		Around £350m

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding royalties:

“On Royalties, these were higher, driven by Gardasil and we now expect royalties for the year to be around £350 million.”

Divisional operating margins

Adjusted operating margin (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
Pharma	33.2%	35.3%	32.2%	32.5%	33.3%	29.8%	29.2%	24.1%
Vaccines	27.4%	28.5%	43.0%	28.4%	33.0%	40.3%	38.6%	50.3%
Consumer Healthcare	19.4%	19.3%	22.0%	18.4%	19.8%	21.7%	20.4%	24.3%
Group	26.6%	28.8%	31.2%	26.8%	28.4%	28.2%	27.8%	29.7%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding divisional adjusted operating margins:

Pharmaceuticals: *“Turning to operating margins, we saw a decline in the quarter, mainly driven by an unfavourable product mix and price impacts including, notably, the impact of generic Advair. Tesaro dilution which, in line with previous guidance, we expect to have a sustained impact over 2019. In SG&A, some provisions for ongoing legal cases, as well as investments in promotional activity for new launches. And Pharma R&D, spend, which increased by 19%, reflecting our investment behind priority assets.”*

Vaccines: *“The Q3 operating margin of 50% reflects enhanced operating leverage from seasonality of the business, as well as product mix, including Shingrix and Bexsero, and higher royalties. Looking forward, Q4 is normally one of our lower margin quarters for Vaccines, given mix and seasonality trends throughout the year. While we expect to see a Vaccines margin this year above the mid-30s, in the longer-term we will increase investment in SG&A as we expand Shingrix geographically and in R&D as we invest behind priority assets.”*

Consumer: “Operating margin Q3 was 24%, higher as expected reflecting the benefit of sales of seasonal cold and flu products, as well as the strong on-going focus on cost control and benefits from restructuring and manufacturing.

It is worth bearing in mind that Q3 is usually our highest quarter, given this seasonality, and therefore in Q4 we expect higher costs and lower margins as we promote to drive consumption.”

Financial performance

Net finance expense

Adjusted net finance costs (£m)	Q1	Q2	Q3	Q4	Full Year
2017	(169)	(176)	(177)	(135)*	(657)
2018	(139)**	(165)	(221)***	(173)	(698)
2018 – restated for IFRS16	(146)	(172)	(229)	(181)	(728)
2019 outlook	(187)	(220)	(206)****		Around £850 to 900m

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

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

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

**** includes fair value gain on interest rate swaps

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding net finance expense:

“In interest expense we continued to see the benefit of our refinancing activities, and also note that this quarter also included a fair value gain in interest rate swaps. We now expect an interest expense of between £850 million and £900 million for the year.”

Associates and joint ventures

Adjusted associates and joint ventures (£m)	Q1	Q2	Q3	Q4	Full Year
2017	5	(1)	7	2	13
2018	9	2	15	5	31
2019	57*	(4)	17		

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

Taxation

Adjusted tax rate (%)	Q1	Q2	Q3	Q4	Full Year
2017	22.0%	21.2%	21.0%	20.0%	21.0%
2018	20.2%	20.0%	18.6%	17.5%	19.0%
2019 outlook	19.7%	15.4%	15.8%		Around 17%

On the Q3 2019 results analyst/investor call Iain Mackay made the following comments regarding the tax rate:

“The changing shape for business and the transformational M&A we have undertaken, together with the progress in settling historic tax disputes means that we now expect an effective tax rate of around 17% for the full year. We continue to expect to see an average effective tax rate of 19% over the medium term.”

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

Adjusted profit/(loss) attributable to non-controlling interests (£m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
ViiV	111	135	125	130	501	123	127	141
Novartis Consumer Healthcare	102	16	0	0	118	-	-	-
Pfizer Consumer Healthcare	-	-	-	-	-	-	-	103
Other	11	19	16	9	55	26	11	31
Total	224	170	141	139	674	149	138	275

Balance Sheet and Cashflow

Free cash flow

Free cash flow* (£m)	Q1	Q2	H1	Q3	9M	Q4	FY
2017 – revised	650	(264)	386	1,282	1,668	1,817	3,485
2018	329	492	821	1,554	2,375	3,317	5,692
2019	165	370	535	1,939	2,474		

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

“On free cash flow we remain focused on driving greater cash discipline across the group, and generated £2.4 billion of free cash flow in the first nine months of the year, very much in line with our expectations.

This was driven by improved operating profits and working capital management, as well as the benefit from FX so far this year, offset by the launch of generic Advair, and related phasing of rebates, and the upfront payment of €300 million to Merck KGaA.

We are pleased with the progress on cash flow. As previously noted, we do expect to see a step-down overall this year versus 2018, as the impact of Advair genericisation goes through.”

Net debt

Net debt (£m)	31 Mar	30 Jun	30 Sep	31 Dec
2017	13,743	14,800	14,209	13,178
2018	13,377	23,935	23,837	21,621
IFRS 16 adoption impact				1,303
Net debt at 1 Jan 2019 after adoption of IFRS 16				22,924
2019	27,058	28,721	28,139	

In the Q3 2019 press release we made the following comments:

“At 30 September 2019, net debt was £28.1 billion, compared with £21.6 billion at 31 December 2018, comprising gross debt of £33.0 billion and cash and liquid investments of £4.9 billion, including £0.5 billion reported within Assets held for sale. Net debt increased due to the £3.9 billion acquisition of Tesaro Inc as well as £0.2 billion of Tesaro net debt, together with the £1.3 billion impact from the implementation of IFRS 16, the dividend paid to shareholders of £3.0 billion and £0.4 billion of unfavourable exchange impacts from the translation of non-Sterling denominated debt, partly offset by £2.5 billion of free cash flow.

At 30 September 2019, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £8.2 billion with loans of £3.4 billion repayable in the subsequent year.”

Contingent consideration

Contingent consideration (£m)	31 Dec 2017	31 Mar 2018	30 June 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 June 2019	30 Sep 2019
Shionogi – relating to ViiV Healthcare	5,542	5,314	5,879	5,885	5,937	5,658	5,664	5,713
Novartis – relating to Vaccines acquisition	584	251	243	296	296	292	300	359
Other	46	45	48	51	53	50	64	54
Total	6,172	5,610	6,170	6,232	6,286	6,000	6,028	6,126

In the Q3 2019 press release we made the following comments:

“Contingent consideration amounted to £6,126 million at 30 September 2019 (31 December 2018: £6,286 million), of which £5,713 million (31 December 2018: £5,937 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £359 million (31 December 2018: £296 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition.

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 30 September 2019, £805 million (31 December 2018: £815 million) is expected to be paid within one year.”

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

Since the beginning of Q4 2019 we have issued several LSE announcements and press releases, each of which can be accessed using the following links:

<https://www.gsk.com/en-gb/media/press-releases/>

<https://us.gsk.com/en-us/media/press-releases/>

<https://us.gsk.com/en-us/products/>

<https://www.gsk.com/en-gb/investors/stock-exchange-announcements/london-rns/>

Acquisitions and divestments

GSK completes divestment of rabies and tick-borne encephalitis vaccines to Bavarian Nordic

- GlaxoSmithKline plc (LSE/NYSE: GSK) today announced the completion of the divestment of travel vaccines Rabipur (tradename Rabavert in the US) for the prevention of rabies, and Encepur for the prevention of tick-borne encephalitis, to Bavarian Nordic.

<https://www.gsk.com/en-gb/media/press-releases/gsk-completes-divestment-of-rabies-and-tick-borne-encephalitis-vaccines-to-bavarian-nordic/>

(Press release 31 December 2019)

GSK agrees to divest rabies and tick-borne encephalitis vaccines to Bavarian Nordic

- GSK to receive upfront payment of approximately EUR301 million (£259m) and milestone payments for a total consideration of up to EUR955 million (£822m)

<https://www.gsk.com/en-gb/media/press-releases/gsk-agrees-to-divest-rabies-and-tick-borne-encephalitis-vaccines-to-bavarian-nordic/>

(LSE announcement 21 October 2019)

GSK completes transaction with Pfizer to form new world-leading Consumer Healthcare Joint Venture

<https://www.gsk.com/en-gb/media/press-releases/gsk-completes-transaction-with-pfizer-to-form-new-world-leading-consumer-healthcare-joint-venture/>

(LSE announcement 01 August 2019)

News flow on key assets during the quarter and to date

ViiV Healthcare receives complete response letter from US FDA for use of investigational cabotegravir and rilpivirine long-acting regimen in the treatment of HIV

- ViiV Healthcare, the global specialist HIV company majority owned by GSK, with Pfizer Inc. and Shionogi Limited as shareholders, received a complete response letter (CRL) from the US Food and Drug Administration (FDA) regarding its application for cabotegravir and rilpivirine long-acting regimen for treatment of HIV-1 infection in virologically suppressed adults.

<https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-receives-complete-response-letter-from-us-fda-for-use-of-investigational-cabotegravir-and-rilpivirine-long-acting-regimen-in-the-treatment-of-hiv/>

(LSE announcement 21 December 2019)

GSK announces positive headline results in phase 3 study of Benlysta in patients with lupus nephritis

- BLISS-LN achieves primary endpoint and all major secondary endpoints
- On-track for regulatory submission during the first half of 2020

<https://www.gsk.com/en-gb/media/press-releases/gsk-announces-positive-headline-results-in-phase-3-study-of-benlysta-in-patients-with-lupus-nephritis/>

(Press release 18 December 2019)

Pivotal DREAMM-2 study demonstrated a clinically meaningful overall response rate with belantamab mafodotin (GSK2857916) for patients with relapsed/refractory multiple myeloma

- Overall response rate (ORR) of 31% with 2.5 mg/kg regimen and no new safety signals in heavily pre-treated patient population who were refractory to an immunomodulatory drug and a proteasome inhibitor, and were refractory or intolerant to an anti-CD38 antibody
- Data published in The Lancet Oncology highlight the potential of belantamab mafodotin for patients with multiple myeloma whose disease has progressed
- GSK confirms submission of a Biologics License Application to the US Food and Drug Administration

<https://www.gsk.com/en-gb/media/press-releases/pivotal-dreamm-2-study-demonstrated-a-clinically-meaningful-overall-response-rate-with-belantamab-mafodotin-gsk2857916-for-patients-with-relapsedrefractory-multiple-myeloma/>

(Press release 16 December 2019)

ViiV Healthcare files submissions to the FDA and EMA for the first-ever dispersible formulation of dolutegravir (DTG) for children living with HIV

- If approved, this new formulation of DTG will be the first integrase inhibitor available as a dispersible tablet for children living with HIV - closing the gap between treatment options available for adults and children

<https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-files-submissions-to-the-fda-and-ema-for-the-first-ever-dispersible-formulation-of-dolutegravir-dtg-for-children-living-with-hiv/>

(Press release 13 December 2019)

ViiV Healthcare submits New Drug Application to the FDA for fostemsavir, an investigational, first-in-class attachment inhibitor for the treatment of HIV in adults with few treatment options available

<https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-submits-new-drug-application-to-the-fda-for-fostemsavir-an-investigational-first-in-class-attachment-inhibitor-for-the-treatment-of-hiv-in-adults/>

(LSE announcement 05 December 2019)

ViiV Healthcare announces exclusive licensing agreement with the National Institutes of Health for investigational “bNAb” with potential for long-acting HIV treatment and prevention

<https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-exclusive-licensing-agreement-with-the-national-institutes-of-health-for-investigational-bnab-with-potential-for-long-acting-hiv-treatment-and-prevention/>

(Press release 21 November 2019)

Nucala (mepolizumab) is the first treatment to show a significant reduction in flares for patients with Hypereosinophilic Syndrome (HES)

- **Positive data from a pivotal study supports new regulatory filing in HES**

<https://www.gsk.com/en-gb/media/press-releases/nucala-mepolizumab-is-the-first-treatment-to-show-a-significant-reduction-in-flares-for-patients-with-hypereosinophilic-syndrome-hes/>

(Press release 13 November 2019)

EACS 2019: ViiV Healthcare to present 17 abstracts from its portfolio addressing the diverse needs of people living with HIV

- **Data presentations expand understanding of ViiV Healthcare’s pipeline for heavily treatment-experienced populations, and look deeper into its 2-drug regimen studies**

<https://www.gsk.com/en-gb/media/press-releases/eacs-2019-viiv-healthcare-to-present-17-abstracts-from-its-portfolio-addressing-the-diverse-needs-of-people-living-with-hiv/>

(Press release 06 November 2019)

Intravenous Benlysta is the first biologic treatment to be approved for children with lupus in Europe

<https://www.gsk.com/en-gb/media/press-releases/intravenous-benlysta-is-the-first-biologic-treatment-to-be-approved-for-children-with-lupus-in-europe/>

(Press release 29 October 2019)

GSK candidate vaccine demonstrates sustained level of protection against active pulmonary tuberculosis

- **Final analysis of phase IIb study published today in the New England Journal of Medicine and presented at the 50th Union World Conference on Lung Health.**
- **Final results confirm the innovative TB candidate vaccine’s efficacy level and acceptable safety profile in three-year clinical trial conducted in sub-Saharan African regions.**

<https://www.gsk.com/en-gb/media/press-releases/gsk-candidate-vaccine-demonstrates-sustained-level-of-protection-against-active-pulmonary-tuberculosis/>

(Press release 29 October 2019)

GSK and Lyell Immunopharma join forces to develop the next generation of cancer cell therapies

- Collaboration will combine Lyell's technologies with GSK's pipeline of cell therapies and manufacturing capability

<https://www.gsk.com/en-gb/media/press-releases/gsk-and-lyell-immunopharma-join-forces-to-develop-the-next-generation-of-cancer-cell-therapies/>

(Press release 08 October 2019)

GSK submits filing to FDA for Trelegy Ellipta use in patients with asthma

- GlaxoSmithKline plc (GSK) and Innoviva, Inc. (INVA) today announced the filing of a supplemental New Drug Application (sNDA) to the US Food and Drug Administration (FDA) seeking an additional indication for the use of once-daily, single-inhaler triple therapy, Trelegy Ellipta (fluticasone furoate/umeclidinium/vilanterol or FF/UMEC/VI), for the treatment of asthma in adults. Trelegy Ellipta was approved in the US in September 2017 for the treatment of patients with Chronic Obstructive Pulmonary Disease (COPD).

<https://www.gsk.com/en-gb/media/press-releases/gsk-submits-filing-to-fda-for-trelegy-ellipta-use-in-patients-with-asthma/>

(Press release 02 October 2019)

ID Week 2019: ViiV Healthcare to present 20 abstracts from its innovative R&D portfolio with focus on 2-drug and long-acting regimens and mental health impact of HIV

- Presentations include six-year data for the investigational regimen of cabotegravir and rilpivirine.

<https://www.gsk.com/en-gb/media/press-releases/idweek-2019-viiv-healthcare-to-present-20-abstracts-from-its-innovative-rd-portfolio-with-focus-on-2-drug-and-long-acting-regimens-and-mental-health-impact-of-hiv/>

(Press release 02 October 2019)

Other news flow during the quarter and to date

GSK publishes provisional dividend dates

https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1357617

(LSE announcement 08 January 2020)

Deborah Waterhouse, CEO of ViiV Healthcare, to join GSK Corporate Executive Team (CET)

<https://www.gsk.com/en-gb/media/press-releases/deborah-waterhouse-ceo-of-viiv-healthcare-to-join-gsk-corporate-executive-team-cet/>

(LSE announcement 08 January 2020)

Emma Walmsley - External Appointment

https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1350356

(LSE announcement 04 December 2019)

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. All commentaries are presented in terms of CER growth, unless otherwise stated.

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