Pre-Quarterly Results Communication Q2 2018

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New information for Q2 2018

GSK completes Consumer Healthcare buyout

On 1 June GlaxoSmithKline announced that it completed the buyout of Novartis' 36.5% stake in its Consumer Healthcare Joint Venture for $13 billion (£9.3 billion).

At 31 March 2018, the Consumer Healthcare Joint Venture put option was recognised in Other payables in Current liabilities at a value of £9,179 million and represented the present value of the agreed valuation of $13 billion following the announcement on 27 March 2018 of the agreement to buyout Novartis' interest in the Consumer Healthcare Joint Venture. Following settlement on 1 June 2018, liability was extinguished.

The balance sheet at the end of Q2 will reflect the increased debt from the transaction.

Foreign exchange

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

Average rates for the quarter ended 30 June 2018 were $1.35/£, €1.15/£ and Yen 147/£. On the basis of these rates, it is expected that the negative impact of foreign exchange on Q2 2018 sales will be around 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 Q2 2018 sterling Adjusted EPS will be greater than the negative impact on sales.

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

Average rates for the six months ended 30 June 2018 were $1.37/£, €1.14/£ and Yen 149/£. On the basis of these rates, it is expected that the negative impact of foreign exchange on H1 2018 sales will be around 5%. We also expect that the negative impact of foreign exchange on H1 2018 sterling Adjusted EPS will likely be greater than the negative impact on sales.

The Q2 2018 period-end rates were $1.32/£, €1.13/£ and Yen 146/£.

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

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 Q2 2018 there was continued volatility in a number of 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)				

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

Currency impact 2018

In the Q1 2018 press release we made the following comment on the potential impact of currencies on sales and EPS in 2018:

"If exchange rates were to hold at the closing rates on 31 March 2018 ($1.40/£1, €1.14/£1 and Yen 149/£1) for the rest of 2018, the estimated negative impact on full-year 2018 Sterling turnover growth would be around 5% and if exchange gains or losses were recognised at the same level as in 2017, the estimated negative impact on 2018 Sterling Adjusted EPS growth would be around 8%."

We will update you on our latest view on the estimated impact of currencies in 2018 in our Q2 2018 press release on 25 July.

Basic weighted average number of shares (WANS)

The basic weighted number of shares in issue during Q2 2018 was 4,914m compared with 4,887m in Q2 2017 (an increase of 0.6%).

In millions*	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
WANS: Quarter	4,867	4,877	4,887	4,890	4,891	4,903	4,914
WANS: Cumulative - Year to date	4,860	4,877	4,882	4,884	4,886	4,903	4,909
Period end shares	4,868	4,886	4,888	4,890	4,892	4,913	4,915

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

Dividend

In the Q1 2018 press release we made the following comment on returns to shareholders:

"GSK recognises the importance of dividends to shareholders and aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.

The Board intends to maintain the dividend for 2018 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
2016	19	19	19	23	80
2017	19	19	19	23	80
2018 - expected	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 2018 to date and during 2017 which impact the year on year comparisons for Q2 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 Q2 2018 versus Q2 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
Total turnover	**4,189**	**4,357**	**4,190**	**4,540**	**17,276**	**4,009**
Reported growth - CER	*+4%*	*+3%*	*+2%*	*+3%*	*+3%*	*+2%*
Adjusted operating profit	**1,440**	**1,464**	**1,426**	**1,597**	**5,927**	**1,329**
Reported growth - CER	*+6%*	*-5%*	*+1%*	*+4%*	*+1%*	*+0%*
Adjusted operating margin	34.4%	33.6%	34.0%	35.2%	34.3%	33.2%

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding pharmaceuticals:

"If we do not see a generic [Advair] in 2018, we expect the momentum in HIV and New Respiratory to deliver low single-digit top line growth for Pharma overall, offsetting declines in older products,

including established pharmaceuticals."

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding the Pharmaceutical operating margin:

"The Pharma margin was down 60 basis points in constant exchange rates, reflecting our targeted investments behind the new launches at the same time as we are seeing sales impacted by the decline in Advair and lower royalty income"

Pharmaceuticals: Respiratory

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments the Respiratory business:

"Seretide/Advair was down 20% overall. In the US, Advair was down 25% which was a bit worse than our original expectations, driven by continued pricing and contracting pressures ahead of a possible generic. Now that we have better visibility on our full contract position for the remainder of 2018, we expect that we will see a bigger decline in Advair this year before any generic of around 30% for the full year.

Breo delivered US volume growth of 44% in the quarter but reported revenue was up only 1%, mainly impacted by negative RAR true-ups for prior periods and a tough prior year comparison on this front. Breo will have another tough comparator on RAR in Q2 but they get easier in the second half of the year and we are still expecting good growth in net sales for the full year, despite the broader pressures in US Respiratory "

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

Pharmaceuticals: HIV

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding the HIV business:

"In our HIV business, Tivicay and Triumeq continued to gain share and deliver strong sales growth. We have also seen an encouraging start from Juluca. I continue to expect this business to deliver good growth this year, albeit at a lower rate than 2017, reflecting the larger base of the business."

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

Pharmaceuticals: Established Pharmaceuticals

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding Established Pharmaceuticals:

"Improvements in supply helped the 2017 performance for this group, with sales for established pharmaceuticals down 5% after a 3% drag from divestments. We will continue to rationalise these products where we see opportunities to deliver value. Growth in 2018 will continue to be impacted by some of the divestments made in 2017, as well as some expected in 2018, and we anticipate sales from this portfolio to decline this year at a mid-to-high single-digit percentage, with the exact rate depending on the timing of when the current year divestments are completed."

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

Vaccines

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding Vaccines revenues:

"Vaccines sales were up 13%, and as Luke has already said, Shingrix is off to a strong start and it contributed most of that growth. At this stage the majority of sales in the quarter are still stocking into the channel. End-patient uptake should contribute more significantly over the next couple of quarters but with the mix between patient-uptake and pipeline shifting over the balance of the year you should expect a similar run rate in sales for the remaining quarters of this year as we saw in Q1.

Remember though that Vaccines sales overall will continue to be lumpy due to tenders and the impact of CDC stockpile movements. "

And the following comments on adjusted operating margins:

"Vaccines was up 1.5%, mainly reflecting the benefits of leverage from top line growth, product mix and cost control offsetting the investments behind the launch of Shingrix and expansion of capacity. Remember, when you are modelling the Q2 margin, that there were one-off benefits last year, including a settlement with a third party, worth in total about £45 million."

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
US	363	316	816	374	1,869	489
Europe	389	394	431	386	1,600	389
International	400	401	442	448	1,691	360
Total turnover	**1,152**	**1,111**	**1,689**	**1,208**	**5,160**	**1, 238**
Adjusted operating profit	**341**	**374**	**698**	**231**	**1,644**	**339**
Adjusted operating margin	*29.6%*	*33.7%*	*41.3%*	*19.1%*	*31.9%*	*27.4%*
CER growth						
US	*+21%*	*+12%*	*+6%*	*+16%*	*+12%*	*+50%*
Europe	*+4%*	*+10%*	*+6%*	*+2%*	*+6%*	*-3%*
International	*+25%*	*-5%*	*-14%*	*+9%*	*+1%*	*-6%*
Total turnover	***+16%***	***+5%***	***+0%***	***+9%***	***+6%***	***+13%***
Adjusted operating profit	***+22%***	***+30%***	***+5%***	***-3%***	***+11%***	***+18%***

Consumer Healthcare

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding Consumer Healthcare revenues:

"Consumer reported 2% growth after a drag of 2% from the combined impact of TDS generics and the GST in India which will also impact Q2 growth.

The global power brands again delivered high single digit growth and for the business overall we saw about 2% volume growth with price contributing about 1%, although this was offset by the impact of GST. For the year, we continue to expect a low single digit percentage top line growth for the Consumer business overall."

And the following comments on adjusted operating margins

"The Consumer margin had a particularly strong quarter, up 270 basis points, driven by sales leverage, product mix and the phasing of some promotional spend that will impact Q2 progression, where we are also up against a tough comparator"

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

Corporate and other unallocated and 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)				

Operating and financial performance

Operating performance

Year-on-year annual cost savings (per Q4 2017 results presentation)

Annual savings (£bn)*	2016 December achieved	2017 December achieved	2018 December expected	2019 December expected	2020 December expected
Annual savings at 2015 FX	2.8	3.3	3.5	3.7	4.0
Cumulative FX benefit	0.2	0.4	0.4	0.4	0.4
Total savings delivered/expected	**3.0**	**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 22 of our Q1 2018 earnings release dated 25 April 2018.*

In the Q1 2018 press release we made the following comments on restructuring:

"Cash payments made in the quarter were £104 million (Q1 2017: £213 million) including the settlement of certain charges accrued in previous quarters. The programme delivered incremental annual cost savings in the quarter of £0.1 billion.

Charges for the combined restructuring and integration programme to date are £4.8 billion, of which cash charges are £3.5 billion. Cash payments of £3.2 billion have been made to date. Non-cash charges are £1.3 billion.

Total cash charges of the programme are now expected to be approximately £4.1 billion and non-cash charges up to £1.6 billion. The programme has now delivered approximately £3.7 billion of annual savings, including a currency benefit of £0.4 billion. The programme is now expected to deliver by 2020 total annual savings of £4.0 billion on a constant currency basis, together with an estimated £0.4 billion of currency benefits on the basis of Q1 2018 average exchange rates."

Research and development

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

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

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding R&D costs:

"R&D was up 2% reflecting investments in advancing our priority programmes, partly offset by savings from the refocusing in R&D that we began last year. We will see additional benefits from the exit of a number of programmes but we intend to reallocate most of that spend elsewhere in R&D over the balance of the year. However, the expected phasing of that investment will likely impact the

second half more than Q2 which will also benefit as in Q1 from the comparison to investments last year as well as for Q2 specifically the PRV that we used in the HIV business."

Royalty income

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding royalty income:

"Our royalties were £53 million versus £82 million in Q1 last year as payments from sales of Cialis ended in Q4. We continue to expect total royalties to be around £200 million in 2018."

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2016	91	83	107	117	398
2017	82	98	107	69	356
2018 outlook	53				Around £200m

Financial performance

Net finance costs

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding net finance costs:

*"We continue to expect funding costs for the year to be broadly similar to 2017, **before** the additional costs of the Novartis buy-out come in after 1 June. We continue to expect that the overall funding costs for the Novartis transaction will be between 2% and 3%."*

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)**				

**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*

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				

Taxation

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%				19% to 20%

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding taxation:

"On tax, due to some phasing of settlements, the adjusted rate was 20.2% in Q1, but we continue to expect a rate of 19% to 20% for the full year. "

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

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding minority interests:

"The charge for minorities in Q1 was £224 million, compared to £199 million a year ago, primarily reflecting the progress in both the HIV and Consumer businesses. Clearly, after the Novartis transaction has closed, this charge will go down substantially"

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

Total results

In the Q1 2018 press release we made the following comments:

"Total operating profit was £1,240 million in Q1 2018 compared with £1,718 million in Q1 2017. The reduction in operating profit reflected the increased impact of accounting charges related to re-measurement of the liability for the Consumer Healthcare put option and the benefit in Q1 2017 of the gain on the disposal of the anaesthesia business, as well as continuing price pressure, particularly in Respiratory, and supply chain investments, partly offset by tight control of ongoing costs and reduced restructuring costs.

…. Total earnings per share was 11.2p, compared with 21.4p in Q1 2017. The reduction in earnings per share primarily reflected the increased impact of charges arising from increases in the valuation of the liability for the Consumer Healthcare put option and the benefit in Q1 2017 from the gain on disposal of the anaesthesia business. This was partly offset by improved trading performance and reduced restructuring and legal costs. "

Free cash flow

Free cash flow (£m)	Q1	Q2	*H1*	Q3	*9M*	Q4	*FY*
2016	(240)	303	*63*	1,209	*1,272*	1,742	**3,014**
2017	650	(282)	*368*	1,276	*1,644*	1,793	**3,437**
2018	324						

On the Q1 2018 results analyst/investor call on 25 April 2018, Simon Dingemans made the following comments regarding Cashflow:

"Turning to cash generation and net debt, we remain focused on driving greater cash discipline across the Group. Free cash flow is down £326 million versus Q1 last year, mainly as a result of the impact of the £317 million payment to Novartis in relation to the Vaccines business. Cash flow was also impacted by currency, with a drag of around £200 million in the quarter as sterling strengthened. We have offset this headwind through improved cash generation from tighter working capital control, reduced restructuring spend and lower capex.

Similar to last year, we expect our 2018 cash flows to be weighted to the second half of the year, even before the expected accretion from the Novartis buy-out."

Additionally, in the Q4 2017 press release we made the following comments relating to cash restructuring:

"Cash payments made were £555 million (2016: £1,077 million), including the settlement of certain charges previously accrued, but also reflecting the deferral of some payments into 2018. Cash payments of approximately £0.5 billion are expected in 2018."

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			

In the Q1 2018 press release we made the following comments:

"At 31 March 2018, net debt was £13.4 billion, compared with £13.2 billion at 31 December 2017, comprising gross debt of £17.5 billion and cash and liquid investments of £4.1 billion. Net debt increased as the reduced free cash flow of £0.3 billion, reflecting the milestone payment to Novartis, together with a £0.3 billion favourable exchange impact from the translation of non-Sterling denominated debt, was more than offset by the dividends paid to shareholders of £0.9 billion.

At 31 March 2018, GSK had short-term borrowings (including overdrafts) repayable within 12 months of £3.4 billion with loans of £1.3 billion repayable in the subsequent year."

Put options

In the Q1 2018 press release we made the following comments:

"At 31 March 2018, the Consumer Healthcare Joint Venture put option was recognised in Other payables in Current liabilities at a value of £9,179 million and represented the present value of the agreed valuation of $13 billion following the announcement on 27 March 2018 of the agreement to buyout Novartis' interest in the Consumer Healthcare Joint Venture (31 December 2017: £8,606 million). This is expected to be settled on 1 June 2018, at which point the liability will be extinguished. The estimated present value of the potential redemption amount of the Pfizer put option related to ViiV Healthcare, also recorded in Other payables in Current liabilities, was £1,243 million (31 December 2017: £1,304 million)."

Put options (£m)	31 Dec 2016	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018
Consumer Healthcare joint venture	7,420	7,541	8,271	8,243	8,606	9,179
ViiV Healthcare	1,319	1,205	1,259	1,221	1,304	1,243
Total	**8,739**	**8,746**	**9,530**	**9,464**	**9,910**	**10,422**

Contingent consideration

In the Q1 2018 press release we made the following comments:

"Contingent consideration amounted to £5,610 million at 31 March 2018 (31 December 2017: £6,172 million), of which £5,314 million (31 December 2017: £5,542 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £251 million (31 December 2017: £584 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition. A milestone payment of $450 million was made to Novartis in January 2018. The liability due to Shionogi included £215 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 March 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
Shionogi – relating to ViiV Healthcare	5,304	5,193	5,351	5,224	5,542	5,314
Novartis – relating to Vaccines acquisition	545	554	646	648	584	251
Other	47	47	46	45	46	45
Total	**5,896**	**5,794**	**6,043**	**5,917**	**6,172**	**5,610**

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

Acquisitions and divestments

GSK completes Consumer Healthcare buyout

- **GlaxoSmithKline plc (LSE/NYSE: GSK) today announces that it has completed the buyout of Novartis' 36.5% stake in its Consumer Healthcare Joint Venture for $13 billion (£9.3 billion).**

The transaction, which was previously announced on 27 March 2018 and described in the circular published on 13 April 2018, was approved by shareholders on 3 May 2018.
(LSE announcement 01 June 2018)

GSK signs strategic agreement to transfer rare disease gene therapy portfolio to Orchard Therapeutics

- **Agreement strengthens Orchard's position as a global leader in gene therapy for rare diseases.**
- **GSK takes 19.9% equity stake in Orchard and seat on board.**

GSK and Orchard Therapeutics today announced a strategic agreement, under which GSK will transfer its portfolio of approved and investigational rare disease gene therapies to Orchard, securing the continued development of the programmes and access for patients. This acquisition strengthens Orchard's position as a global leader in gene therapy for rare diseases. GSK will continue to invest in the development of its platform capabilities in cell and gene therapies, with a focus on oncology. **(Press release 12 April 2018)**

News flow on key assets during the quarter and to date

Since the beginning of Q2 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/

ViiV Healthcare reports landmark phase III studies for dolutegravir and lamivudine, demonstrating the ability to control HIV with a two-drug regimen in treatment naïve patients

- **GEMINI 1&2 studies meet primary endpoint, demonstrating similar efficacy of two-drug regimen compared to standard three-drug regimen**
- **Full results from the studies will be presented at an upcoming scientific meeting**

ViiV Healthcare today announced positive headline results from its phase III GEMINI study programme. The studies (GEMINI-1 and GEMINI-2) are designed to evaluate the safety and efficacy of a two-drug regimen (2DR) of dolutegravir and lamivudine compared to a three-drug regimen of dolutegravir and two nucleoside reverse transcriptase inhibitors, tenofovir disoproxil fumarate/emtricitabine (TDF/FTC), in treatment naïve HIV-1 infected adults with baseline viral loads less than 500,000 copies per ml.
The studies met their primary endpoint for non-inferiority based on plasma HIV-1 RNA <50 copies per millilitre (c/mL), a standard measure of HIV control, at Week 48. The safety results for the 2DR of

dolutegravir and lamivudine were consistent with the product labelling for the medicines. No patient who experienced virologic failure in either treatment arm developed treatment-emergent resistance. **(LSE announcement 14 June 2018)**

GSK submits regulatory application in Japan for once-daily single inhaler triple therapy FF/UMEC/VI for patients with COPD

- **GlaxoSmithKline plc (LSE/NYSE: GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced the submission of a regulatory application to the Japanese Ministry of Health, Labour and Welfare (MHLW) for once-daily fluticasone furoate/umeclidinium/vilanterol (FF/UMEC/VI 100/62.5/25 mcg) under the proposed brand name of Trelegy Ellipta for the treatment of adults with chronic obstructive pulmonary disease (COPD). This is the first regulatory filing to be made in Japan for a triple COPD therapy in a single inhaler.**

Dave Allen, Head, Respiratory Therapy Area R&D, GSK said: "COPD is a debilitating lung disease affecting over five million people in Japan. Many patients require combination treatment with different types of medicines to reduce both symptoms and exacerbations but there is currently no triple therapy available in Japan delivered in a single inhaler. If approved, once-daily FF/UMEC/VI delivered in the Ellipta would be an important innovation in the management of COPD in Japan alongside our current range of treatments." **(LSE announcement 29 May 2018)**

ViiV Healthcare receives EU marketing authorisation for Juluca (dolutegravir/rilpivirine), the first 2-drug regimen, once-daily, single-pill for the treatment of HIV

- **Juluca maintains viral suppression with two drugs in the smallest single pill regimen**

ViiV Healthcare, the global specialist HIV company, majority owned by GlaxoSmithKline, with Pfizer Inc. and Shionogi Limited as shareholders, today announced that the European Commission has granted marketing authorisation for Juluca (dolutegravir 50mg/rilpivirine 25mg) for the treatment of human immunodeficiency virus type 1 (HIV-1) infection in adults who are virologically suppressed (HIV-1 RNA <50 copies/mL) on a stable antiretroviral regimen for at least six months with no history of virological failure and no known or suspected resistance to any non-nucleoside reverse transcriptase inhibitor or integrase inhibitor. Juluca is a 2-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).
(LSE announcement 21 May 2018)

GSK receives US approval of Arnuity Ellipta for use in children from 5 years old who suffer from asthma

GSK today announced it has received approval from the US Food and Drug Administration (FDA) for the use of Arnuity Ellipta (fluticasone furoate) a once-daily inhaled corticosteroid (ICS) medicine for the maintenance treatment of asthma in children from as young as 5 years. This makes Arnuity one of the few once-daily treatments for asthma licenced in the US in this younger age group, where there remains a significant need for convenient and effective treatment options.
(Press release 21 May 2018)

Nucala (mepolizumab) study reports long-term safety data, consistent exacerbation reduction and improved asthma control

- **New study showed one third of patients had no exacerbations on long-term treatment with Nucala.**

GlaxoSmithKline plc (GSK) today presented new data from the longest study of an anti-IL5 biologic treatment in severe eosinophilic asthma to be reported. The study showed consistent reductions in exacerbations and improvements in asthma control, with a safety profile similar to previous clinical studies, in severe eosinophilic asthma patients treated with Nucala (mepolizumab) over the long-term study period. One third of patients in the study treated with mepolizumab experienced no exacerbations, despite entering the study with an average of almost two exacerbations (1.74) per year. **(Press release 21 May 2018)**

GSK's industry-leading respiratory research and scientific innovation showcased at ATS conference

GlaxoSmithKline plc (GSK) will present extensive data from across its respiratory portfolio, pipeline and early phase research programmes at the American Thoracic Society (ATS) conference in San Diego, USA, 19-23 May 2018. Data presented in 61 abstracts provide evidence on optimising the treatment and understanding of lung diseases. **(Press release 16 May 2018)**

Once-daily Trelegy Ellipta gains expanded indication in the US for the treatment of patients with COPD

GlaxoSmithKline plc (LSE/NYSE: GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced that the US Food and Drug Administration (FDA) has approved an expanded indication for Trelegy Ellipta (fluticasone furoate/umeclidinium/vilanterol 'FF/UMEC/VI'), which means this medicine can now be used by US physicians to treat a broader population of chronic obstructive pulmonary disease (COPD) patients with airflow limitation or who have experienced an acute worsening of respiratory symptoms. **(LSE announcement 24 April 2018)**

Landmark IMPACT study published in NEJM shows significant benefits of Trelegy Ellipta for patients with COPD

- **Once-daily single inhaler triple therapy superior to Relvar/Breo Ellipta and Anoro Ellipta across multiple endpoints including exacerbations, lung function and quality of life.**

GlaxoSmithKline plc (LSE/NYSE: GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced the publication in the New England Journal of Medicine (NEJM) of the landmark IMPACT study, one of the biggest ever conducted in patients with chronic obstructive pulmonary disease (COPD) with a history of exacerbation.

In the study, Trelegy Ellipta (fluticasone furoate/umeclidinium/vilanterol, 'FF/UMEC/VI' 100/62.5/25mcg) achieved superiority to members of two different classes of dual combination therapy, Relvar/Breo (FF/VI) and Anoro (UMEC/VI), on the primary endpoint of reduction in the annual rate of on-treatment moderate/severe exacerbations ($p<0.001$) and a range of other clinically important outcomes, including lung function and health-related quality of life.

Results from additional secondary and other endpoints published today, include:

- A statistically significant 34% reduction in COPD hospitalisations (severe exacerbations) for Trelegy compared to Anoro (0.13 vs. 0.19 per year; p<0.001) and a reduction of 13% compared to Relvar/Breo which was not statistically significant (0.13 vs. 0.15; p=0.064).
- A significant reduction in the risk of on-treatment all-cause mortality was observed for both inhaled corticosteroid containing arms compared to Anoro.
- A 42.1% reduction in the risk of on-treatment all-cause mortality was observed for Trelegy compared to Anoro (1.20% vs. 1.88%; p=0.011).

To fully understand the implications of the all-cause mortality observation, off-treatment data also need to be considered. Work is ongoing to investigate this further and will be presented at future scientific meetings. **(LSE announcement 18 April 2018)**

Other news flow during the quarter and to date

GSK announces changes to Vaccines and Global Manufacturing & Supply leadership

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that Luc Debruyne, President, Vaccines, is to leave GSK at the end of the year. Roger Connor, currently GSK's President, Global Manufacturing & Supply (GMS), will become President, Vaccines on 1 September.

During a 27-year career at GSK, Luc has held a number of roles including General Manager for the Company in the Netherlands and Italy and Senior Vice President of the Pharmaceuticals business in Europe. For the last 5 years he has been President, Vaccines overseeing the successful integration of the Novartis vaccines business, including the R&D portfolios and manufacturing networks, aligning resources to priority projects, preparation of the Shingrix launch and building a stronger presence in the US.

Roger Connor has been on the Corporate Executive Team (CET) since 2012 as President, GMS and has led the strategic transformation of GSK's supply chain to support improved quality and supply performance. He has a proven track record of leading a complex, global organisation, developing organisational capability and driving cultural transformation.

With effect from 1 September, Regis Simard is appointed President, Pharmaceutical Supply Chain and will join CET. Regis is currently SVP Global Pharma Manufacturing and joined GSK in 2005 as a site director in France, having previously worked in the electronics, medical devices and pharmaceutical industries. **(LSE announcement 12 June 2018)**

Simon Dingemans, Chief Financial Officer, to retire from GSK

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that Simon Dingemans, Chief Financial Officer (CFO), GSK, has informed the Board of his intention to retire from the Company and to step down from the Board in May 2019.

The Board will now conduct a thorough global search both internally and externally to identify a successor. **(LSE announcement 09 May 2018)**

GSK appoints Kevin Sin as new SVP and Head of Worldwide Business Development for R&D

- **Critical role appointed as part of ongoing activities to strengthen and accelerate the Pharmaceuticals pipeline**

GlaxoSmithKline plc (GSK) today announced the appointment of Kevin Sin as Senior Vice President and Head of Worldwide Business Development for Pharmaceuticals Research & Development. In this position, Kevin will play a critical role in strengthening GSK's pharmaceutical pipeline and identifying enabling technologies to enhance delivery of innovative new medicines for patients.
(Press release 18 April 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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