

Transcript of Andrew Witty presentation for Q1 results 2010

Q1 business performance

Q1 of 2010 represented, I think, a very good start to the year for us here at GSK. We carried on the momentum we started to build last year and we delivered good sales growth performance; 13% up in turnover, 4% underlying sales growth when you adjust for the Pandemic sales in this quarter. Earnings were up 16% and we've been able to increase our dividend again by 7% this year to 15 pence per share. So, in terms of our financial performance, I'm very satisfied with the way we've moved forward, very much in line with our expectations, and it reflects really the shift in balances between our headwinds and tailwinds as we see the beginnings of the end of our long period of genericisation of old products, especially in America, being counter-balanced by the increasing contribution of new medicines and the delivery of our strategy to diversify the Group with terrific performances from our Emerging Markets businesses, our Consumer businesses, our Vaccine business and the new contribution from our Dermatology division after the acquisition of Stiefel. Overall, a good start to 2010 and very much in line with the direction we want to progress.

Strategy Update

Our strategy at GSK has been very clear for the last two years. Our goal is to drive sales growth to make that sales growth sustainable, to reduce risk by having a more diversified portfolio of growth engines within the company, deliver more products of value from our R&D organisation and to simplify the business. All of those pieces of our strategy are progressing well: we're focussed on an "across the board" agenda to make sure that we have growth coming from many different parts of the business - we don't just depend on one asset. For example, just in Q1, 36% of our overall sales came from our Consumer and Vaccine business and when you add in the Dermatology platform that's 40% of our business coming from Consumer, Vaccine or Dermatology. That's an incredible change. It really reflects the successful delivery of our diversification strategy which, over the long

run, should reduce the volatility and risk profile of the company and allow us to deliver more sustainable sales growth and therefore earnings growth for our shareholders. Our R&D organisation continues to perform extremely well in terms of the development of new potential medicines, progression of medicines into Phase III, particularly in this quarter with the start of Relovair Phase III for asthma - a key milestone for us in our Respiratory portfolio. And also if you look at our ability to approve medicines - we now have had 16 new medicines approved in the United States since 2007. It's a terrific achievement and I think it reflects the continued pace of progression in our R&D business.

Simplification continues to be an important agenda for us. As we diversify the Group it's obvious that we need to take out other activities which don't add the same kind of value - that's simplification; making the organisation focus on what has to add value to our customers and therefore to our shareholders. In this quarter alone we've reduced the number of providers to our office facilities from over 40 to just 3 - it's just one small example of the type of thing we're focussed on across the business. Over the next several years you'll continue to see a great focus in this area as we adopt more streamlined information systems and as we continue to take cost out of our support functions allowing us to reinvest in the parts of the business which will generate growth.

2010 outlook

We started 2010 with a clear view that we believe that GSK was improving its prospects and that we entered 2010 confidently. I remain in exactly the same position. Of course, every year represents a year of unexpected challenges and opportunities but as we've seen in Q1 we've started 2010 well, the year is pretty much playing out so far as we would have expected. We need to stay very focussed on making sure we capture the opportunities which come our way but as we do that it's pretty clear that, at GlaxoSmithKline, we're moving into a new era, an era which is beyond the genericisations within our US business and in a period where we're going to be an organisation with a more diversified portfolio of businesses able to introduce new products on a regular basis. That's going to be what drives the business forward; it's very much what we planned strategically and it's something that we are achieving step by step. There's still much to be done but, no question, we're on the right path.