

## **GSK on track with strong Q3 results**

### **Q: Where do today's results signal you are in terms of the overall delivery of the strategy for the business?**

A: Well, I think these results leave us very much where we expected to be at this point in the year. And I think, in particular, if you look at the results, with headline growth at 3% and underlying growth at 6%, they also show the breadth and balance of the Group really showing through in the face of some considerable challenges out in the markets, with particular pressures from US healthcare reform, European austerity price cuts and also some price cutting in some of our emerging markets as well.

But against that, we've seen good growth from our Pharma business up 2%, Vaccines up 21% and Consumer up 5%. I think it's particularly important to draw attention to the Vaccines performance in Japan, where Cervarix has made some very good progress in selling into the national HPV vaccination programme. And that's been a particular driver in the quarter for the overall business and making a contribution to the Group as well.

So overall I think we're very encouraged by the progress, still a quarter to go for 2011, but very much on track.

### **Q: And if we think about the new financial architecture that you'd announced at Q2, and you're implementing, do these results in any way reflect traction there?**

A: Well, while it's still early days, I think the quarter does show that we're targeting the right metrics and we're delivering against those metrics. And, just to remind you, what we said back in July is that we will be focusing on delivering sustainable sales growth, that we would be looking to provide leverage through the P&L by improving operating leverage and also delivery financial efficiencies, and then using those to ultimately drive earnings per share growth and free cash flow growth.

And if you look at the results in the quarter, with results up 6% at the sales line, operating margin very much in line with what we expected but, in particular, showing the benefits of some of our cost-saving initiatives and OE programmes which are really positioning the margin well for next year. And the progress to greater operating leverage that we've indicated will begin to occur gradually in 2012. On financial efficiencies it's still relatively early, but plans well on track in terms of how we expect to deliver the tax and financial efficiencies that we've highlighted.

And then, perhaps, more significantly in this quarter, we've seen good progress in cash flow generation, with cash inflows of over £2 billion in the quarter, which have allowed us to pay out to shareholders dividends and buybacks of over £1.8billion. And that comprises a dividend up 6%, at 17p for the quarter, consistent growth, as we've said, on quarters two and one. And then overall, as you will have also seen, we have increased the targeted amount for the share buyback to £2.3billion for the whole of 2011 which positions us well going into 2012.

**Q: So overall how are you feeling about the outlook for the business?**

A: If you look at the overall contribution from the different businesses we have over the last seven quarters, since the beginning of 2010, they've delivered average growth at an underlying level of 4.5%. And we continue to expect, as we move into 2012, that that underlying growth will convert into reported growth.

And you've already seen the convergence of that in the third quarter, where we're reporting headline growth of 3% relative to the 6% underlying, so already some signs that that's beginning to come through. And I think that highlights the resilience of the business in the face of these economic challenges and I think leaves us feeling confident that the outlook remains secure and that we can continue to deliver good performance for the shareholders."