



# H1 Results 2012

25 July 2012



Andrew Witty  
Chief Executive Officer

Simon Dingemans  
Chief Financial Officer

# Continued execution of our strategy in a difficult external environment

## Grow

a diversified  
global business

## Deliver

more products  
of value

## Simplify

the operating  
model

Businesses in innovation markets structured to  
launch new products

Reshaped R&D delivers sustainable  
pipeline flow

Increased portfolio of affordable Pharma, Vaccines  
and Consumer brands in Emerging Markets

Consumer Healthcare business refocused around  
Global brands and Emerging Markets

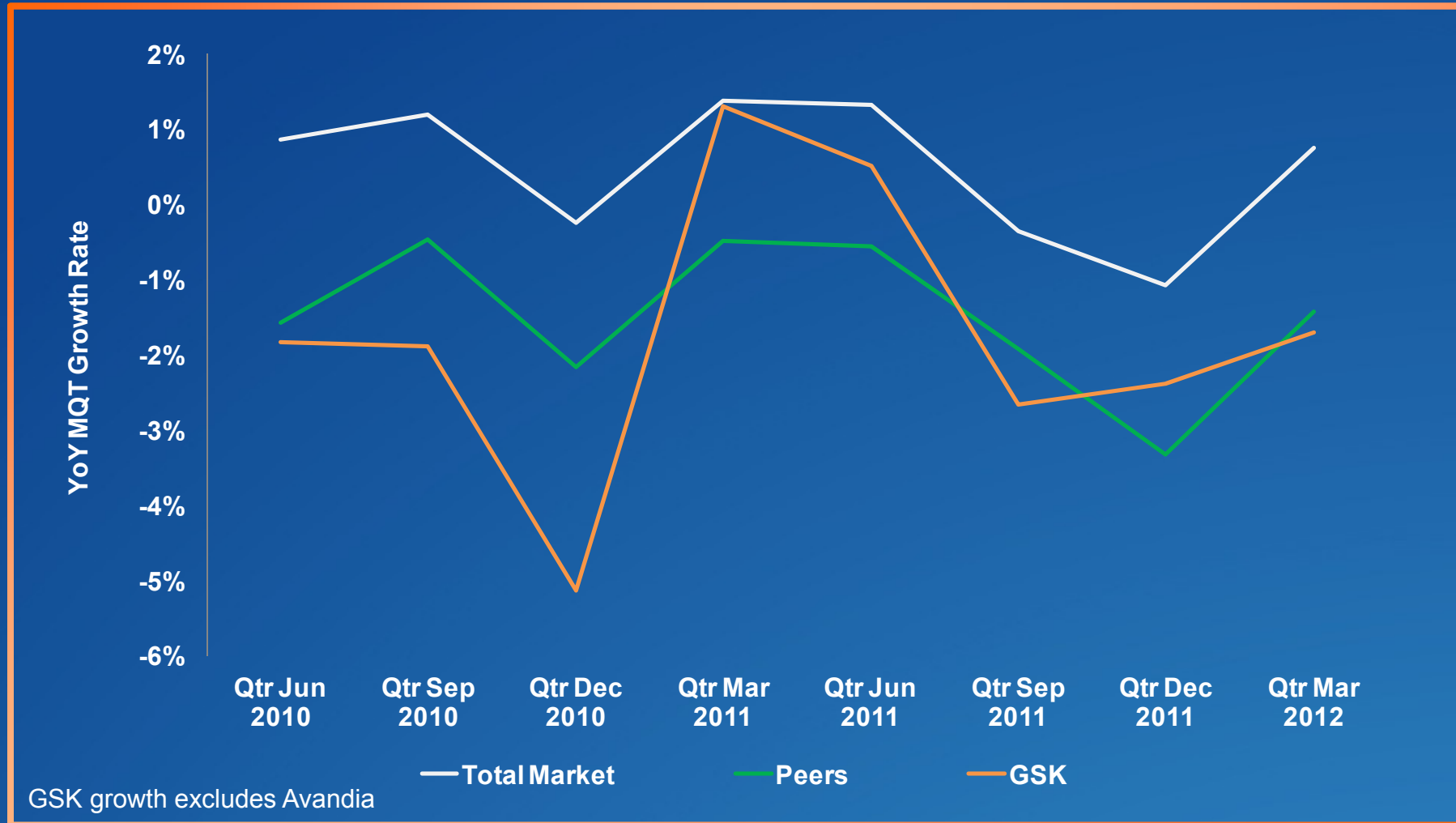
Continue to drive world leading Vaccines business

# Sales growth from investment businesses outweighed by pressures in mature markets and from divestments



Movements are in £m on a constant exchange rate basis

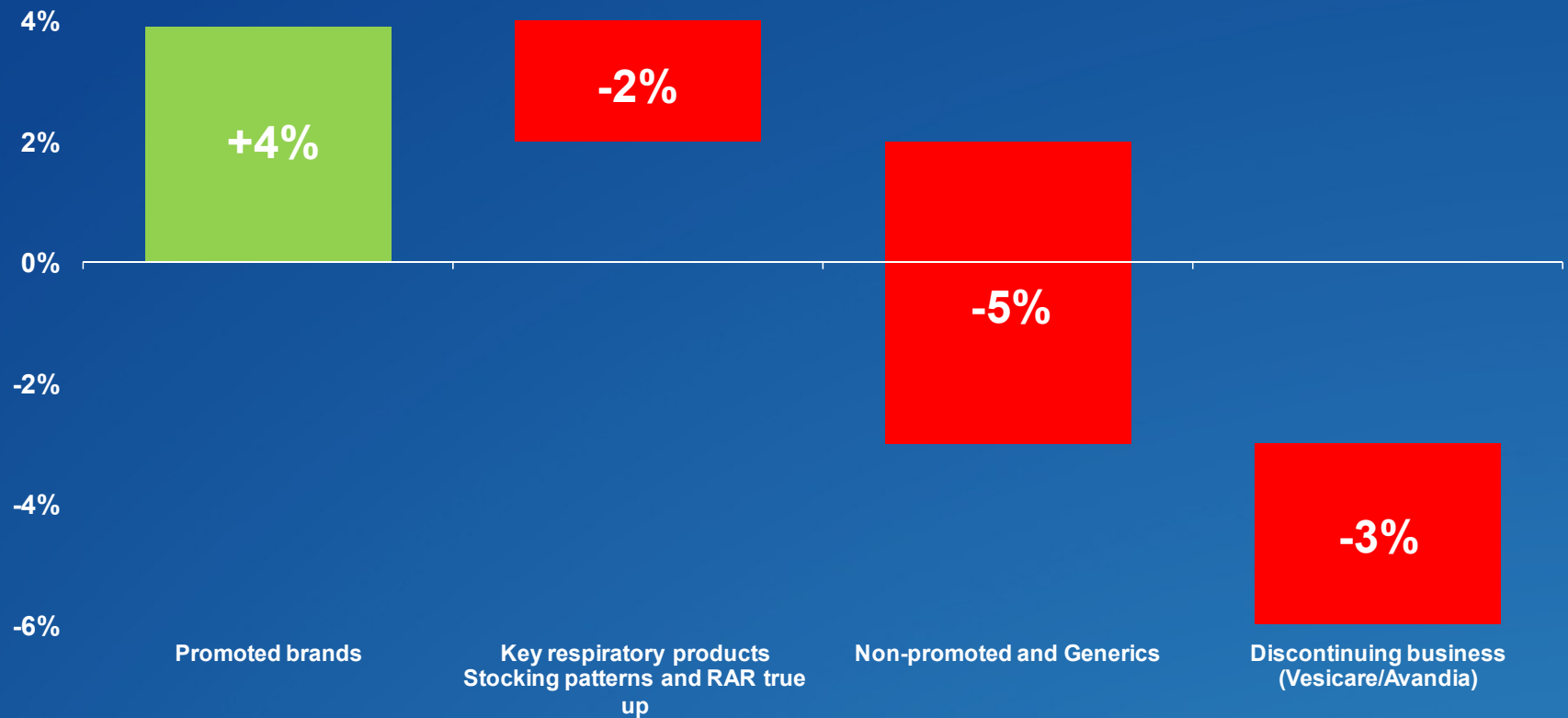
# European volume performance in line with peers



Source: IMS Health data (number of packs); Peers represent: Abbott AstraZeneca Bayer GSK Johnson & Johnson Lilly Merck & Co Novartis Pfizer Roche Sanofi

# US business portfolio transition

Q2 12 sales analysis: £1.7bn down 6%



Graph shows Q2 contribution to growth at CER

# GSK at the half year

## Tough macro environment

### Broadly flat sales

- Growth in EMAP Japan & ongoing Consumer
- Europe/US declines

### Continued focus on costs & margins

- Direct further action on cost base
- Acceleration of financial efficiencies

### Increasing cash generation & returns to shareholders

- £3.2bn distributed to shareholders

### Significant pipeline delivery

- Supports potential launch of 8 new drugs and vaccines in 24 months
- Significant progress across major therapeutic areas (Respiratory, Oncology, HIV, and Diabetes)

# Data in-house for 12 of the key 15 pipeline assets; 10 are positive

		Q2 2011	FY 2011	H1 2012	Status
Respiratory	UMEC/VI (LAMA/LABA)				
	Relvar/Breo (LABA/ICS)				
Oncology	Tykerb (adj breast cancer)				
	Votrient				
	Promacta/Revolade				
	trametinib (MEK inhibitor)				
	dabrafenib (BRAF inhibitor)				
Vaccines	MAGE-A3 (therapeutic vaccine)				
	Mosquirix				
Diabetes	albiglutide (GLP-1)				
	otelixizumab				
CNS	IPX066				
HIV	dolutegravir (integrase)				
Rare diseases	migalastat HCl (Fabry's)				
	drisapersen (DMD)				



Data by end of 2012

<sup>1</sup> Pending final data from programme; <sup>2</sup> Approved in US for sarcoma, further data expected in renal cell carcinoma



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	Q2 2011	FY 2011	H1 2012	Status
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	Relvar/Breo (LABA/ICS)			Filed
Oncology	Tykerb (adj breast cancer)			
	Votrient			Approved <sup>2</sup>
	Promacta/Revolade			Filed
	trametinib (MEK inhibitor)			Filing Q3'12
	dabrafenib (BRAF inhibitor)			Filing Q3'12
Vaccines	MAGE-A3 (therapeutic vaccine)			2013
	Mosquirix			
Diabetes	albiglutide (GLP-1)			Filing Q1'13
	otelixizumab			
CNS	IPX066			Under review
HIV	dolutegravir (integrase)			
Rare diseases	migalastat HCl (Fabry's)			
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# Pipeline delivery builds on existing areas of strength



## Respiratory

- £3.7bn (+1%) in H1
- Relvar/Breo filed
- Positive UMEC/VI pivotal data
- 7 additional late stage\* assets



## Vaccines

- £1.5bn (flat) in H1
- 2 meningitis vaccines approved
- Quadrivalent flu filed
- MAGE A3 data in 2013
- PhIII Zoster programme ongoing



## CV/Urology/ Metabolic

- CV & Urology £1.3bn (+10%) in H1
- albiglutide data in house and filing in Q1 13
- darapladib data expected 2013/14



## HIV

- £680m (-6%) in H1; impacted by generics
- Growth from Epzicom and Selzentry
- Positive dolutegravir pivotal data



## Oncology

- £375m (+22%) in H1
- Votrient Sarcoma approval
- MEK & BRAF filings imminent
- Promacta\* filed; FDA priority review



## Rare diseases

- £216m (-3%) in H1
- Fabry's data by end 2012
- Duchenne data by end 2012

*\* Late stage is defined as Phase II b/Phase III; HIV business is run as "ViiV Healthcare"; dolutegravir is a Shionogii-ViiV Healthcare joint venture asset; Promacta file is for Hepatitis C thrombocytopenia; migalastat 6-month Fabry's data from 12-month studies*

# Strategy has delivered £22bn of cash to shareholders; further actions to enhance future returns

## 2008 to H1 2012

£22bn returned to shareholders  
through dividends and  
share buybacks

### *Driven by....*

- Geographic rebalance to increase exposure to growth markets
- Development of Consumer and Vaccines business
- Increasing efficiency in cost base
- Increasing R&D return on investment
- Focus on enhanced cash conversion



## 2012 onwards

Continuing commitment to grow  
dividend and sustain long term  
share buybacks

### *Driven by....*

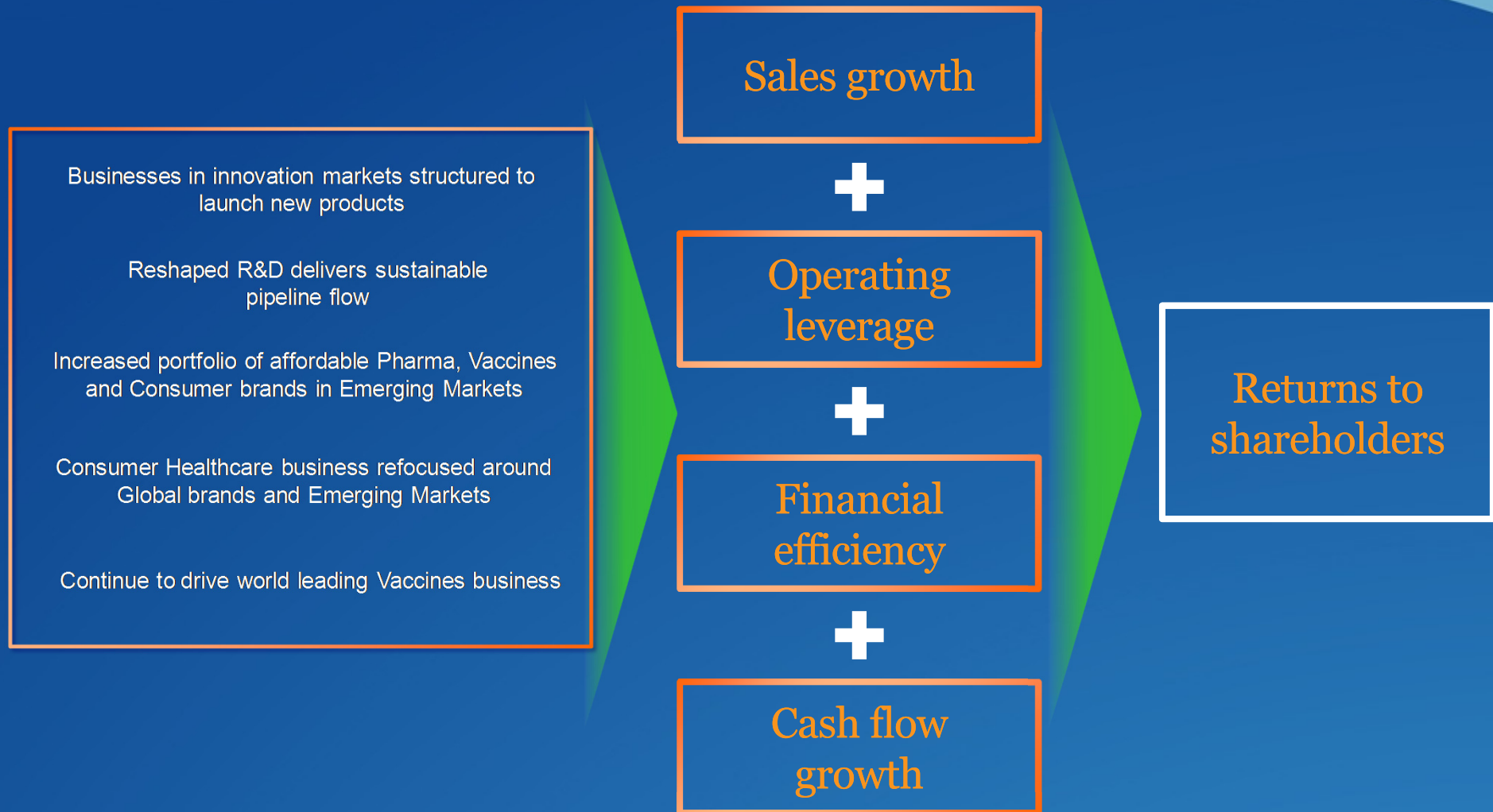
- Increasing contribution of pipeline to sales
- Further actions to shape the business to drive margin and returns:
  - Increasing focus on key franchises and divestment of non-core assets
  - Consolidating economic benefits to GSK shareholders (i.e. HGS)





Simon Dingemans  
Chief Financial Officer

# Strategy to deliver sustainable financial performance and returns to shareholders



# Headline results

£m	Q2 2012	Growth %		H1 2012	Growth%	
		CER	£		CER	£
Turnover	6,462	(2)	(4)	13,102	-	(2)
Core Operating profit	2,002	(7)	(8)	4,073	(2)	(3)
Core EPS	26.4p	(5)	(5)	53.7p	1	-
Adjusted FCF (FCF excl. legal)	1,315		39	2,062		4

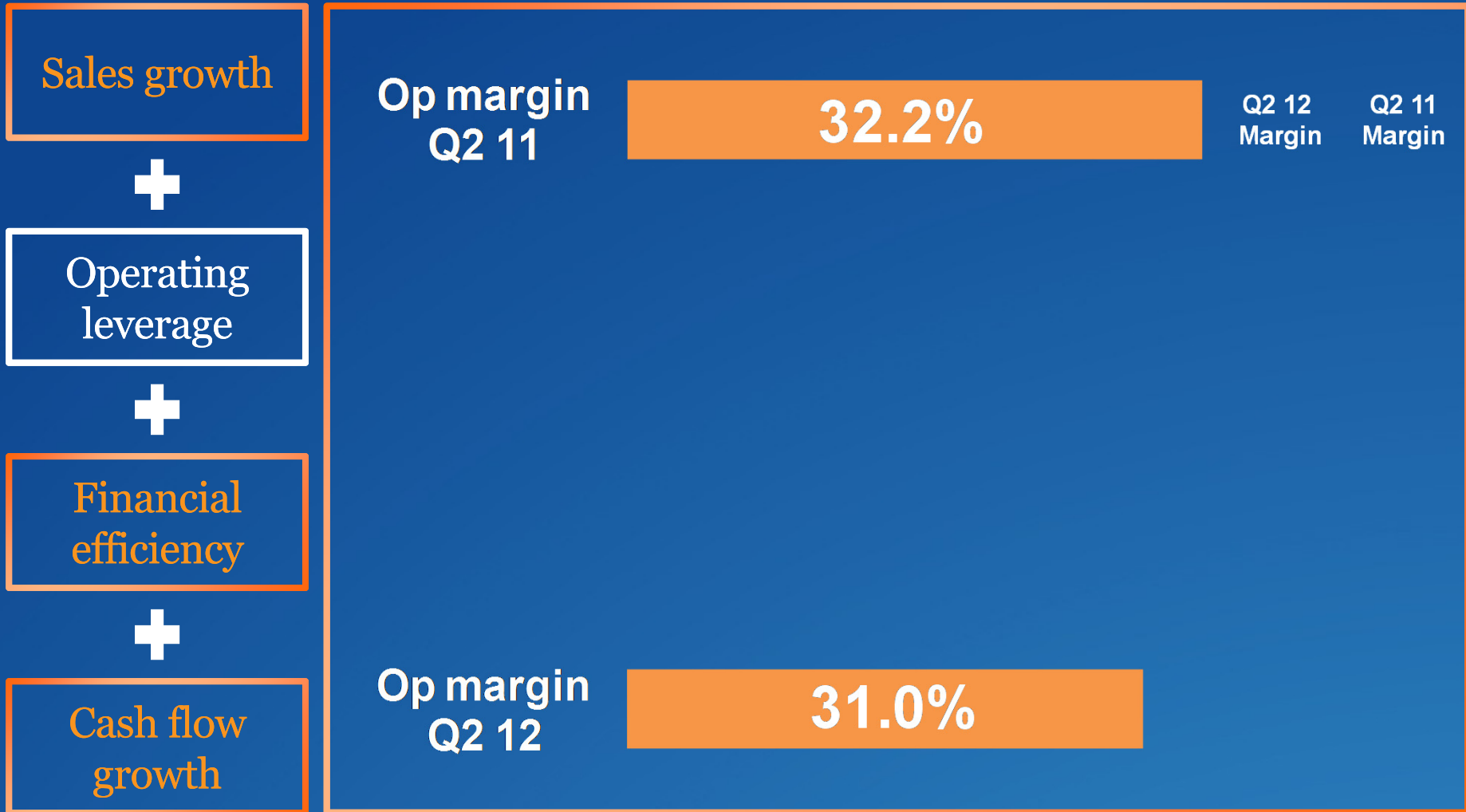
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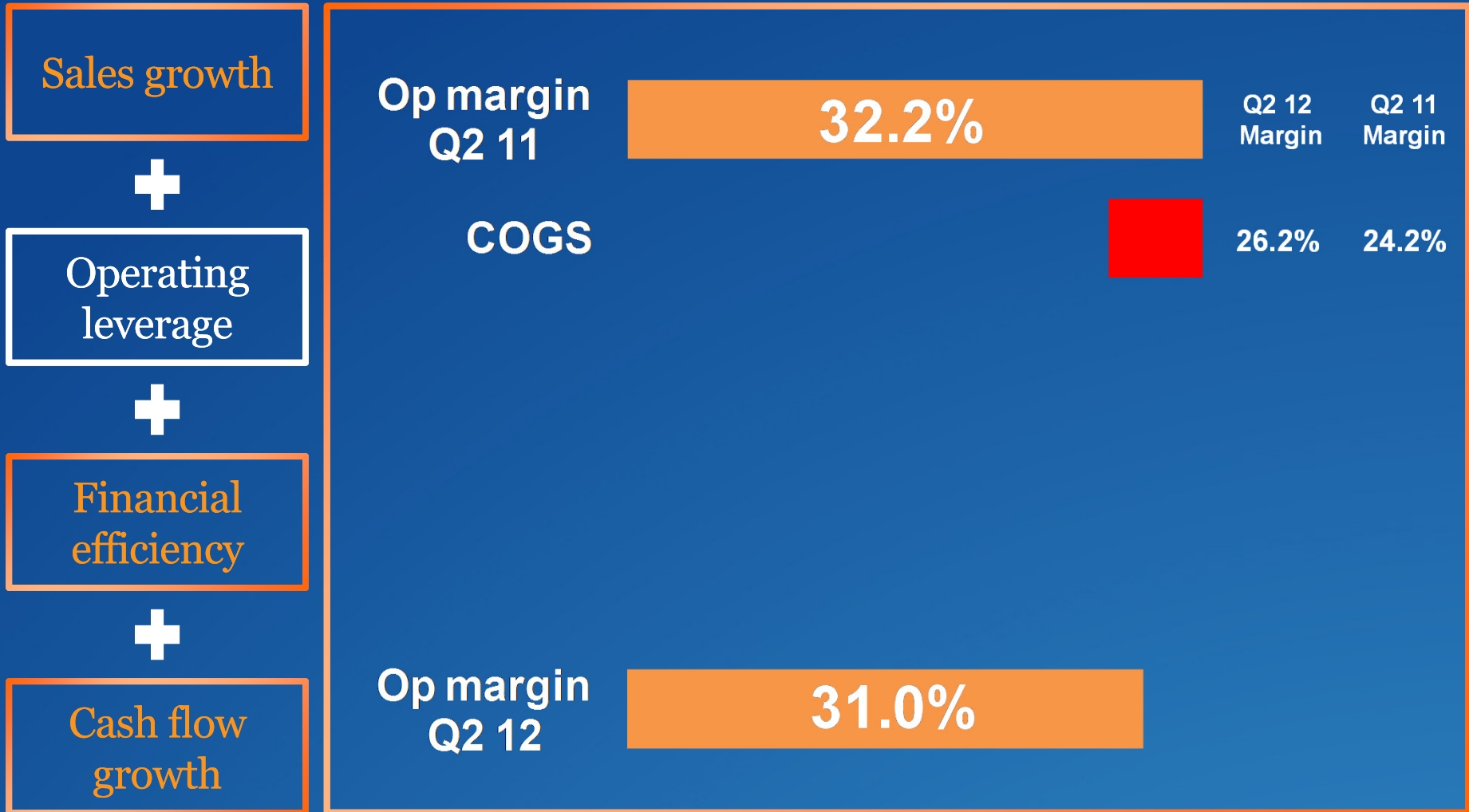
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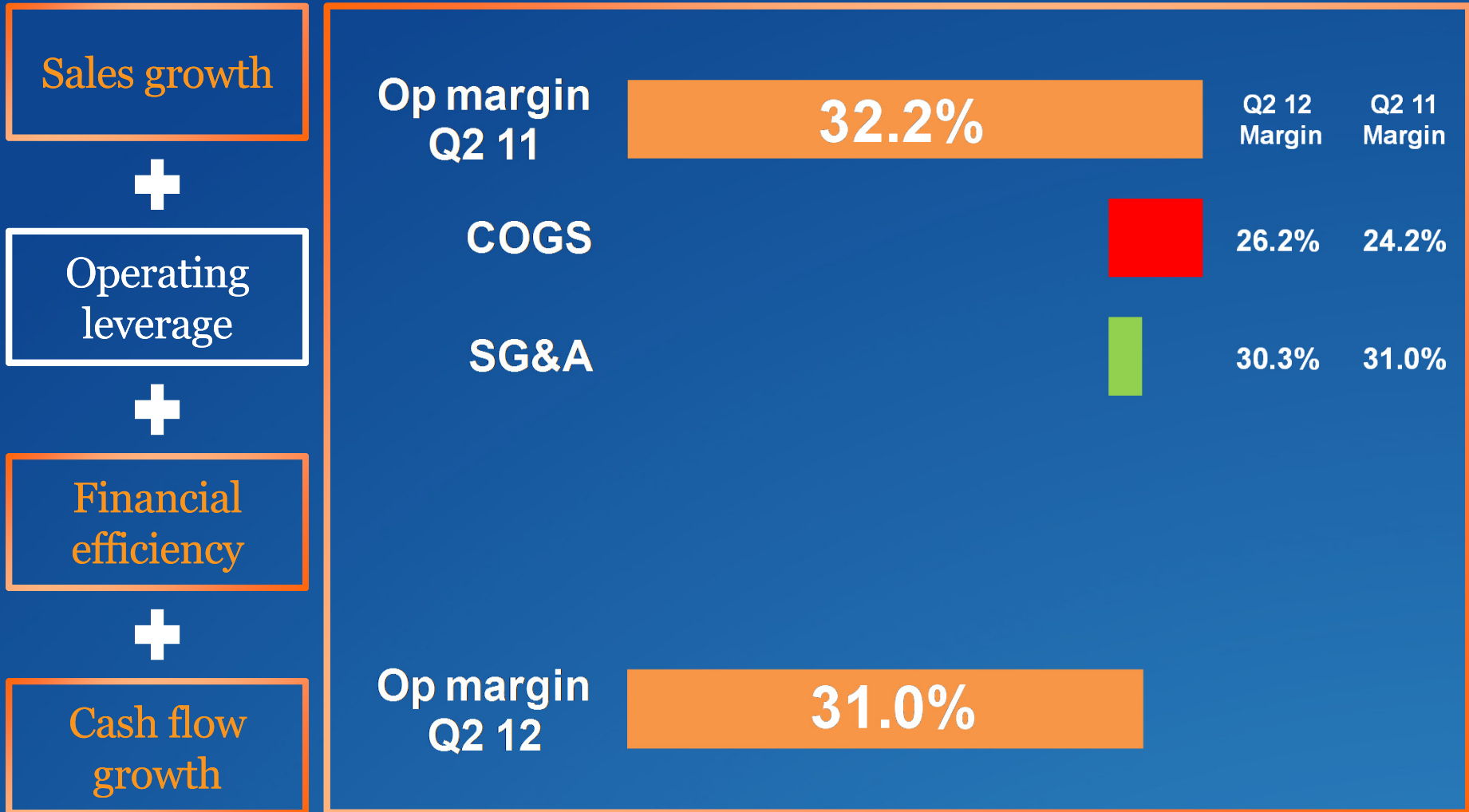
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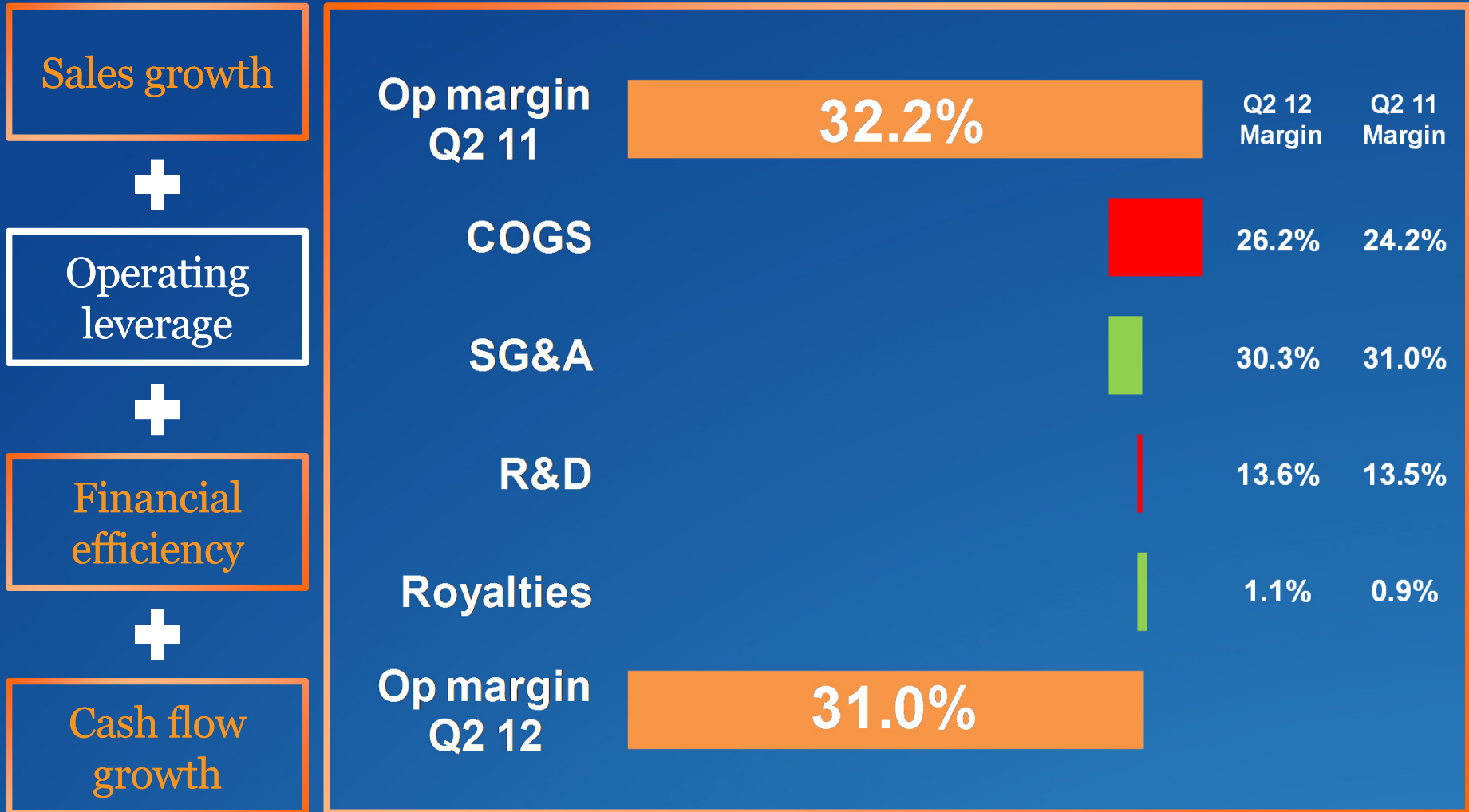
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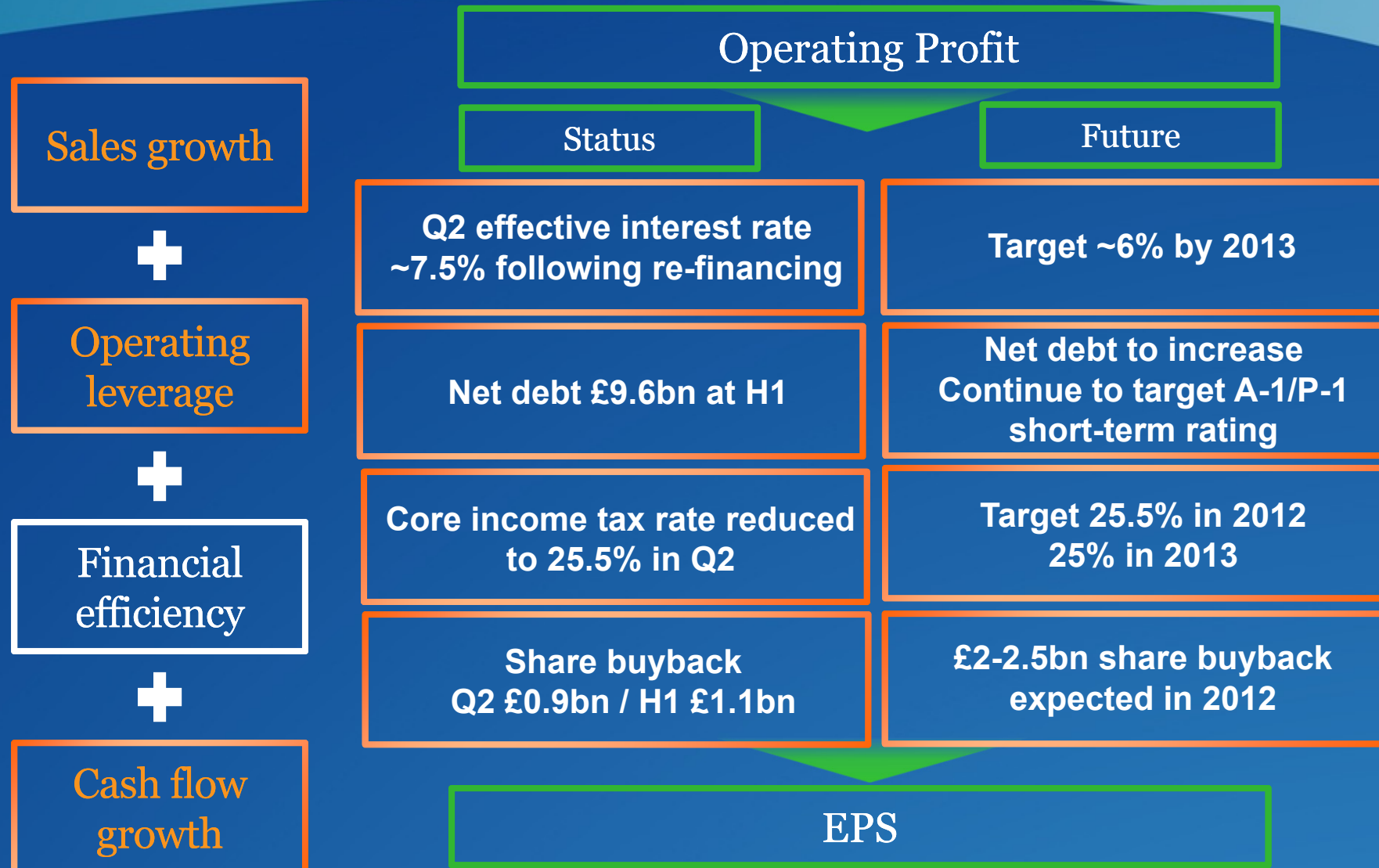
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# Continue to make progress on delivery of financial efficiencies



# Generated £2.1bn free cash flow (ex legal) in H1 12

Sales growth



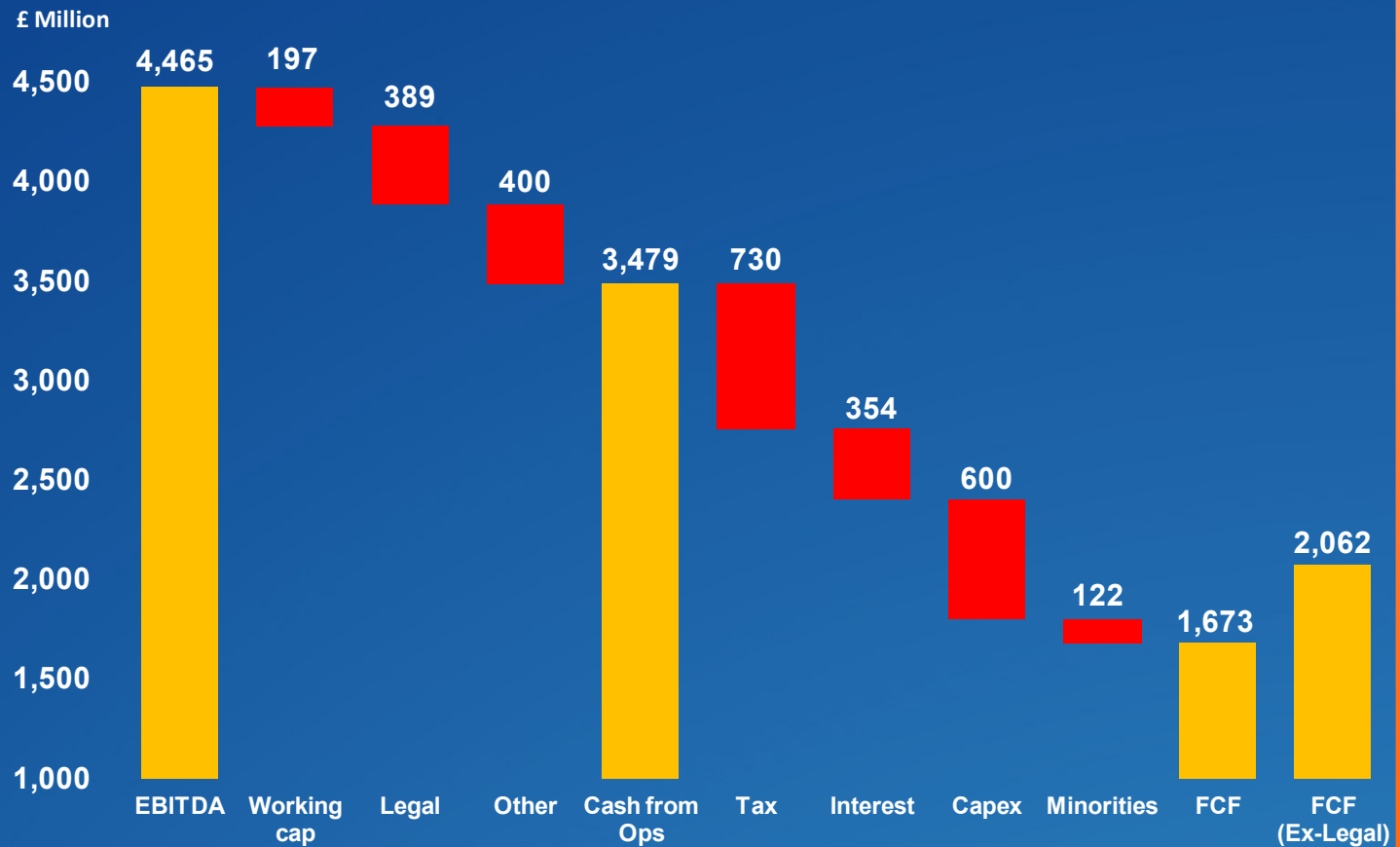
Operating leverage



Financial efficiency



Cash flow growth



H1 adjusted net cash flow from operating activities £3.1bn

# Continued progress in reducing working capital

Sales growth



Operating leverage



Financial efficiency

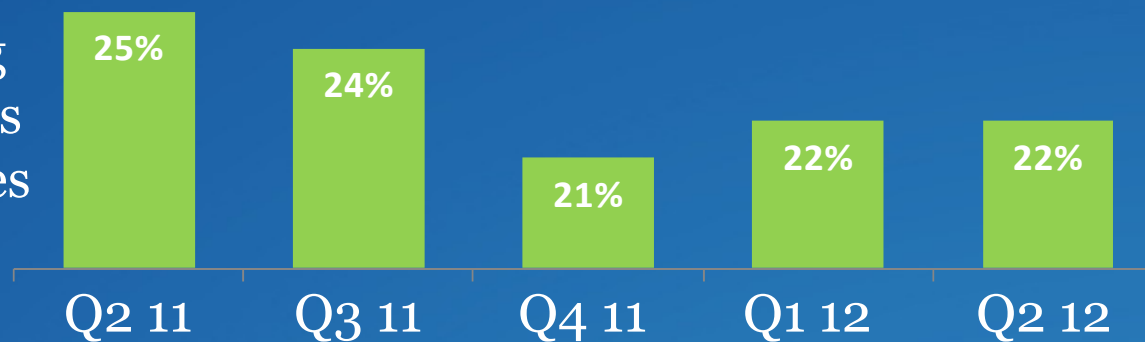


Cash flow growth

## Conversion cycle

	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
DSO	64	63	61	62	60
DPO	34	33	43	40	41
DIO	206	197	192	193	193
Days	236	227	210	215	212

Working capital as % of sales



# Liquidity in anticipation of legal and acquisition costs

Sales growth



Operating leverage



Financial efficiency



Cash flow growth





£3.2bn cash returned to shareholders in H1 2012;  
up 22% compared with H1 2011

## Dividends

£2.1bn\* in H1 2012

Q1 +6%

Q2 +6%

## Buyback

£1.1bn in H1 2012

\* Comprises payment of 2011 third interim dividend (£847m), and 2011 fourth interim dividend (£1,043m) and the 2011 Supplemental dividend (£248m)

# GSK is positioned for continued returns to shareholders

